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MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 11 — 14

DECEMBER 6, 7, AND 10, 1934

CHEMICAL PREPARATIONS FOLLOWING THE WAR
AND
INTERCHANGE OF MILITARY INFORMATION

Printed for the use of the
Special Committee Investigating the Munitions Industry

UNITED STATES
GOVERNMENT PRINTING OFFICE
83876 WASHINGTON : 1935

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U.S. Congress. Senate.

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STEPHEN RAUSHENBUSH, *Secretary*
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CONTENTS

Testimony of— Page

- Beebe, H. F., manager foreign department, Winchester Repeating Arms Co 2517, 2521, 2523, 2526, 2532
- Bradway, F. W., assistant general manager, smokeless-powder department, E. I. du Pont de Nemours & Co 2492, 2502
- Casey, K. K. V., director of sales, smokeless-powder department, E. I. du Pont de Nemours & Co 2428, 2433, 2449, 2457, 2466, 2475, 2483, 2485, 2489, 2492, 2505
- Davis, C. K., president and general manager, Remington Arms Co 2514–2516, 2533
- Du Pont, A. Felix, vice president, E. I. du Pont de Nemours & Co 2425, 2477, 2484, 2486, 2488, 2502
- Du Pont, Irénée, vice chairman of board of directors, E. I. du Pont de Nemours & Co 2448, 2457, 2464, 2469, 2474
- Du Pont, Lammot, president E. I. du Pont de Nemours & Co 2397, 2400, 2407, 2412, 2415, 2482, 2485, 2487, 2491, 2493, 2511
- Du Pont, Pierre S., chairman of board of directors, E. I. du Pont de Nemours & Co 2404, 2413, 2418
- Handy, E. E., vice president, Remington Arms Co 2514
- Jonas, Elmslie E., sales agent, Winchester Repeating Arms Co., and Western Cartridge Co 2521, 2523
- Monaghan, F. J., export manager, Remington Arms Co 2512, 2515, 2517, 2525, 2528, 2532
- Reisinger, W. U., secretary and treasurer, Remington Arms Co 2514
- Sparre, Dr. Fin, director development department, E. I. du Pont de Nemours & Co 2399, 2402, 2411
- Swint, W. R., director foreign-relations department, E. I. du Pont de Nemours & Co 2395, 2462
- Weston, Charles K., director publicity department, E. I. du Pont de Nemours & Co 2400, 2413, 2416, 2420, 2431, 2462, 2465, 2468

Background of chemical warfare 2395

Propaganda for protective dye legislation 2400

Activities of American dye industry in opposing attempt to control chemical-warfare business in 1922 2419

Sale or interchange of military inventions and secret processes 2425

European countries aim for independence in powder supply 2450

Exchange of technical information by munitions companies 2461

Question of control of chemical industry in relation to disarmament 2466

Methods of doing business:

- Balkan States 2477
- Poland 2489
- China 2496
- Argentina 2502, 2549
- Mexico 2511
- Guatemala 2520
- Nicaragua 2525
- Bahama Islands 2526
- Dominican Republic 2537
- Colombia 2543
- Brazil 2550

INVESTIGATION OF MUNITIONS INDUSTRY

THURSDAY, DECEMBER 6, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was continued in the Finance Committee room, Senate Office Building, Senator Bennett Champ Clark, presiding.

Present: Senators Vandenberg, Barbour, George, Clark, Pope.

Present also: Stephen Raushenbush, secretary to the committee.

At this point the committee concluded that part of the testimony which is incorporated in Part X of these hearings, " Embargoes."

AFTERNOON SESSION

(The committee reconvened at 2 p.m. pursuant to recess.)

Senator Clark. The committee will come to order. The Chair would like to inquire whether any of the companies are now prepared to furnish any of the exhibits which have previously been requested, and which have not yet been furnished. Mr. Raushenbush, let me suggest that you come up here. I believe everybody can hear you better if you come up here. I happen to know that the particular place where you are seated is the hardest place in this room from which to be heard.

Mr. Raushenbush. Mr. Chairman, with your permission, may we have as witnesses this afternoon the officers of the du Pont Co. who are particularly well acquainted with the early post war chemical history of the company and the various foreign connections that were involved in them. Do you care to call any others, Mr. du Pont?

Mr. Lammot du Pont. I would like to have Dr. F. Sparre.

Senator Clark. You were previously sworn, were you not, Doctor?

Mr. Sparre. Yes; I was sworn in September.

Mr. Lammot du Pont. Mr. Chairman, I would also like to have Mr. W. R. Swint.

Senator Clark. You have not been previously sworn, have you?

Mr. Swint. No.

TESTIMONY OF F. SPARRE (RECALLED) AND W. R. SWINT

BACKGROUND OF CHEMICAL WARFARE

(Mr. Swint was duly sworn by the chairman.)

Mr. Raushenbush. In the absence of the Chairman, he asked me to begin an inquiry into a certain phase of the munitions business which is, frankly, based on one supposition, that the committee is not only interested in the munitions business, but is interested in the cause and need for a munitions traffic at all, and the next question that follows that immediately is the very simple one of why every nation feels obliged to arm, and the answer is obvious, because every other nation is arming too.

Then the further question occurs, well, how did this get started—how did that situation get started, and because it has seemed to us in examining some of the files of the companies that there were some slight clues or indications along that line, we wanted to get a little more background on the question of the chemical development not only of your companies but of others, because certainly the chemical developments have a large place in the next war, by your admission, I am sure, and by everybody else's.

Let me add, perhaps, one personal statement in that, that it is going to be the attempt to be scientific about this. You gentlemen do not, perhaps, realize how someone coming to the industry newly feels it impossible quickly to make final judgments. If you will permit an illustration, it is a little as if people who have never been in the jungle have suddenly captured a species of life that they had never seen before, and they were observing it. Of course they bring nothing but their own understanding of the life around them to observe that new species. It lives by its own laws and it functions well, but an outsider looking at it cannot say when it kicks with its hind legs instead of with its front legs; he cannot say that there is anything ethical or unethical about that. It is a matter of scientific interest to find out just how the thing functions, and if you will believe in the first instance that there is no ethical implication here, I will appreciate that. We had here at the earlier hearings an illustration of some of our gas companies that took some convicts in one of the South American countries and tried out some of their gas on them. That met with some ethical comments by the members of the committee. But for the moment, what we are interested in is just to see the function of this industry not only in connection with the national defense but with foreign countries, and with this somewhat lengthy introduction I would like to have a rather full story from then on by you who are conversant with the early postwar developments of the company about that.

I frankly am undecided in my own mind whether or not to continue the practice we have followed on saying, now, is this true, and showing you an exhibit on it, or asking for a full story. We do know, let me put it that way, that during the war you did go into the dye business in a rather large way. I take it that is correct, isn't it?

Mr. Swint. Yes.

Mr. Raushenbush. It happened about 1917, and we have here quite a list of the activities regarding dyes of the du Pont publicity bureau from 1917 to 1921, which shows or which covers a great number of pages. I do not think I will enter it as an exhibit, but practically every day, beginning with April 12, 1917, about the time we went into the war, there is a story of the dye developments of the company. I do not think the time or place or the interest of the company in that plan is questioned. So I won't enter that as an exhibit.

Now, the investment in that dye industry, we may, without any implication, say was made possible the same way the investment in General Motors, which we discussed at the earlier hearing. I mean there were profits from dealing with the Allies, and these were the means of seeking the investment.

Mr. Lammot du Pont. No, sir; I think you are under a misapprehension, Mr. Raushenbush. It is true we started into the dye business during the war and, in fact, before the United States went into the war, I believe. In the early days we did not require any very large investment, because the important thing at that time was the study of the processes of the industry which, of course, meant both the men and laboratory rather than plant. The construction of a plant was started then, but it was very small as compared with today. The great growth in the investment in the dye business, in bricks, mortar, and machinery, so to speak, took place after the close of the war, and it is going on today.

Mr. Raushenbush. I do not see any great importance of that point. Now, immediately after the close of the war is it a fair statement to say that both you and the English and the French dye companies saw that they had a struggle for life against the German dye industry, and started to put up, or help to put up protective measures against imported dyes?

Mr. Lammot du Pont. I do not think I ought to speak for the English or French, but we, in this country, fully realizing that we being an infant industry, must have protection in order to protect our home business from those who were far more experienced at that time.

Mr. Raushenbush. At that time, we find a letter from the head of your publicity department, who had apparently gone to London at the time. The letter is dated December 10, 1920, which I wish to offer for the appropriate number.

(The letter referred to was marked "Exhibit No. 909", and is included in the appendix on page 2559.)[1]

Mr. Raushenbush. He tells of "my mission"——

Mr. Lammot du Pont. Who wrote the letter?

Mr. Raushenbush. It is written by Mr. Weston to Mr. Meade, one of the vice presidents of your company.

He states:

> My mission seems to be going fairly well; I have met a number of our American newspaper correspondents, and have, I think, succeeded in selling them our idea. One cannot tell, of course, until the results begin to appear in American newspapers.

He goes on to say that he is watching the vote in the House of Commons.

He goes on to say:

> I believe that the great strong point to be brought out by our friends in the United States Senate is, that with Japan, France, and England all protecting their dye industries, the United States is left as the only hope of the Germans. They will, without doubt, concentrate over there and give us a particularly hard fight.

Now, I do not think that there is any question that the French and English were, naturally, interested in protecting their new industries.

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[1] "Exhibit No. 909" was referred to further in Part XII, p. 2758.

Senator CLARK. That is the first mention of infant industries in tariff debates for nearly 100 years.

Mr. LAMMOT DU PONT. What is that?

Senator CLARK. That is the first mention of infant industries in connection with tariff debates for nearly 100 years. That was the original theory of tariffs and has, in a sense, been cast into the limbo of forgotten things.

Mr. LAMMOT DU PONT. I do not know about tariff debates.

Mr. RAUSHENBUSH. Would Dr. Sparre or Mr. Swint care to say whether this was the policy followed by the allied countries, that they were all trying to protect their new industries from the possibility of a large German influx after the war?

Dr. SPARRE. Yes, I think that is correct; but I have no first-hand knowledge except the newspaper reports.

Mr. RAUSHENBUSH. Mr. Weston goes on on the second page:

> I shall remain here next week to see this bill through and to continue my efforts to stoke up the interest of those whom I came to see.

It seems to indicate, does it not, that he was very interested in not only watching the English tariff bill, but to continue to "stoke" up the interest of those whom he came to see. It would give the impression, and I am willing to be corrected, that the company was sufficiently interested in having that English bill go through to, at least, send a man over there. He spoke of his mission, and to get in touch with the newspaper men and to stoke up interest in the matter. It goes on:

> The correspondents in Paris report to the offices here so it is apparent that if the men in London get the right angle it will be wonderfully helpful. In Paris I shall devote my energy very largely to bringing the correspondents in contact more closely with the American sources of news, at the same time trying to give them the proper angle so that they will appreciate the importance of the news.

Is there any comment on that particularly?

Mr. LAMMOT DU PONT. I have no comment.

Mr. RAUSHENBUSH. Now, at this point we are not particularly interested in the way the tariff bill in this country was to operate, although it does come into your correspondence. What we are interested in at the moment is the thinking that underlies your interests, but it seems to me, as we examine your files that that interest is fairly expressed, and here is a cable from Mr. Poucher, dated December 3, 1920, which I think is, if you will let me say so, an intelligent cable, an understanding cable. Would you identify Mr. Poucher for us?

Mr. LAMMOT DU PONT. He was employed by the du Pont Co. He was in charge of the sales of dyestuffs.

Mr. RAUSHENBUSH. In this country, and traveled abroad for you, did he?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. This cable, then, in 1920, follows the beginning of the interest in protecting the dye industry here. It gives the reason for the thing. That, I think, is very interesting. He says that he understands—

> Signor Tittoni has raised League of Nations interest in national monopolies and their danger to world peace. Urge attention of League be drawn to danger of resumption of German organic chemical and dye monopoly.

This is by far the most menacing and deserves immediate attention of League, who might welcome American support on a chemical disarmament measure. You cannot destroy organic chemical factories having peace functions, but must insure world redistribution of organic chemical producing capacity by support of national protective legislation. This is a critical measure, on which all disarmament schemes must stand or fall.

Now, at this point, you see, Mr. du Pont, the committee becomes interested in this chemical thing we want to take up this afternoon. It goes on to offer the proposition:

Disarmament is a farce while Germany retains organic chemical monopolies.

Now, that statement is the one that struck me:

Disarmament is a farce while Germany retains organic chemical monopolies. You can get full details in disarmament chapter of Major LeFebures' book now held by Whetmore—

And so forth.

Now, there is a reference to this Major LeFebure, and we find he left with your company a memorandum dated February 1, 1921, although it seems to be a little redundant. Because of the importance of the whole chemical warfare equipment industry, I would like to read it and, if necessary, get your comments on it. His point is that everything possible should be done to destroy the German chemical monopoly. He is a British officer, isn't he?

Dr. Sparre. Yes.

Mr. Raushenbush. I offer this cablegram for the appropriate number.

(The cablegram referred to was marked "Exhibit No. 910" and is included in the appendix on p. 2559.)

Mr. Raushenbush. Now, we had a rather interesting illustration of the head of your publicity bureau being in London watching, stoking up the interest in the tariff over there in the British House of Commons, and now we have this British major making this comment that everything possible should be done in America. I offer this for the appropriate exhibit number.

(The memorandum referred to was marked "Exhibit No. 911" and is included in the appendix on p. 2560.)

Mr. Raushenbush. He refers to the dyestuffs over there, and he goes on to prove the importance of that arsenal in time of war. He speaks of clause 168 of the treaty, which—

demands limitation of munitions and war-material production to factories or works approved by the Allied and Associated Powers.

He says it refers to any war materials whatever, and, roughly, makes the argument that that really should include the big I. G. plants. He concludes by mentioning specifically:

In addition to certain specific poison-gas plants a large proportion of the Haber process capacity should logically be dealt with under this article of the treaty.

Now, that Haber process for manufacture is one of the most successful processes in the world?

Dr. Sparre. For ammonia.

Mr. Raushenbush. For ammonia?

Dr. Sparre. Yes.

Mr. Raushenbush. That has been bought by America and other countries?

Dr. SPARRE. I do not believe it has been bought by the United States.

Mr. RAUSHENBUSH. Never in the United States?

Dr. SPARRE. No; but some other countries have.

Mr. RAUSHENBUSH. Some other countries have?

Dr. SPARRE. Yes.

Mr. RAUSHENBUSH. Then he goes on to mention the number of tons of poison gas produced in those plants, and makes quite a long case about the need for denying Germany the right to have any gas-producing capacity at all.

Then he goes on on page 3:

> It may be that by taking certain measures in peace regarding these potential arsenals, production of poison gases in war would be prevented, because war itself would be prevented, and the need to produce would not arise.

I think I have already entered that as "Exhibit No. 911."

Then we find that your company was conducting an active campaign over here for the tariff, and in "Exhibit No. 912" taken from the 1921 file on "Our present and proposed activities", showing the publicity that Shipp & Co., Bronson Batchelor, Inc., and all of the articles written, and speakers' publicity. It says the company had made arrangements, and I suppose he is speaking for the company, and correct me if I am wrong, and that it has many contacts to get them to send resolutions and personal letters to their Senators, newspapers, and so forth.

Mr. LAMMOT DU PONT. I have no criticism to make of your statement, Mr. Raushenbush, but I think I would like to study the letter a little before I could say I could confirm it all.

Mr. RAUSHENBUSH. The question is simply whether or not Mr. Hale was speaking as an employee of the company. Could you turn that letter over to somebody? Perhaps Mr. Weston is here, or somebody conversant with that, and that you would like to have any negative answer registered at the proper place in the record. If Mr. Weston wants to state that, we can have the answer inserted at this point or later on.

Mr. LAMMOT DU PONT. You want Mr. Weston to testify directly to this? He was the gentleman who was abroad.

Mr. RAUSHENBUSH. If you think it is important enough.

Mr. LAMMOT DU PONT. I do not know whether it is important or not.

Mr. RAUSHENBUSH. May we have Mr. Weston sworn, please, Mr. Chairman?

TESTIMONY OF CHARLES K. WESTON

PROPAGANDA FOR PROTECTIVE DYE LEGISLATION

(The witness was duly sworn by the chairman.)

Mr. WESTON. This is a report of the activities, not of the du Pont Co. particularly but of the entire chemical—not the entire, but a very large part of the chemical industry of the United States at that time. They were formed into the Dyes Institute, I think was the name, and I was a member of that institute, the publicity and legislative committee, and this is a report of the activities of the committee representing the industry.

Mr. RAUSHENBUSH. In 1920 the company contributed $21,773.49 and in 1921 $10,100 to the Chemical Institute.

Mr. WESTON. I do not know.

Mr. RAUSHENBUSH. That is "Exhibit No. 913."

Mr. LAMMOT DU PONT. Not to the chemical industry.

Mr. RAUSHENBUSH. I am sorry, to the American Dyes Institute.

Mr. WESTON. Yes; later merged into the Synthetic Organic Chemical Manufacturers' Associations of the United States.

Mr. RAUSHENBUSH. You contributed to an organization which, I take it, paid Dr. Hale his expenses and fees in these matters. I do not think it is an important point whether or not he was paid directly by the company. The thing I was interested in was whether or not this was not a fair statement about this campaign for protecting the dye industry that was carried on. Dr. Hale was making speeches that fairly represented things that were said, and we make certain allowances for the post-war hysteria at that time, in 1921, and we find Dr. Hale making a speech that the publicity department quoted, dated December 16, 1921, called "The War After the War." That had some interesting comments to make on the peace treaty from the angle of the chemical industry.

Mr. WESTON. May I just interject there? I think Dr. Hale was the vice president of the Dow Chemical Co., and not merely an employee who was speaking.

Mr. RAUSHENBUSH. Most of the gentlemen, as you list them here as paying their fees and expenses, seem to be men of a great deal of standing, Mr. Weston, not only Dr. Hale but Dr. Parsons and others.

Mr. WESTON. Dr. Herty and others.

Mr. RAUSHENBUSH. Dr. Herty is not on that particular list. That would not be the point. You can comment on it, Mr. du Pont, if you care to, whether that was not the sort of atmosphere in which the chemical protection was put over, speeches like this being made under your own auspices and those of the American Dyes Institute. I am getting at this simply to get at the point of the matter, because it seems to me that was the point that carried at that time.

I now offer the exhibits just referred to as "Exhibits Nos. 912, 913, and 914."

(The memorandum referred to as "Our Present and Proposed Activities" was marked "Exhibit No. 912" and is included in the appendix on p. 2562.)

(The Report of the Activities of the Chemical Industry referred to was marked "Exhibit No. 913" and is included in the appendix on p. 2563.)

(The address by Dr. William J. Hale entitled "The War After the War" was marked "Exhibit No. 914" and is included in the appendix on p. 2564.)

Mr. RAUSHENBUSH. Dr. Hale comments:

> The peace treaty was drawn up entirely from the standpoint of modern medievalism, or that period just preceding the advent of chemistry in the world of industry, and the result was appalling. Thus the "Bungle of Versailles" was given to man and passed forthwith into obsolete history. Its four points, from the standpoint of the future, may be characterized as follows:
>
> 1. National hatreds engendered by silly apportionments of trivial territory.
> 2. Germany financially crippled but stirred to industrial activities, such as will soon reinstate her in the position of world leader.

> 3. Germany deprived of those useless adjuncts of a nation's pride—her battleships—and thus saved from wasting her wealth on monstrosities of the future.
> 4. As a gift from the gods, there was left to Germany all of the implements for future wars, and she was asked to develop them to her best ability.

Then he tells the story about the Badische-Anilin und Soda-Fabrik at Ludwigshafen, and there was the manufacture of indigo, and points out that—

> Were Germany to be drawn into war, this entire plant may be converted into a mustard-gas plant in less than an hour's time.

Mr. LAMMOT DU PONT. I think that is a little exaggerated.

Mr. RAUSHENBUSH. That is the vice president of the Dow Chemical Co.

Mr. WESTON. I suggested that I think he is.

Mr. RAUSHENBUSH. He may be taking a fee for going around making these speeches, but supposedly he is saying what is accurate. He speaks of the indigo plant of the Badische-Anilin which can be converted into a mustard gas plant in an hour's time. You know that outfit, do you not, Dr. Sparre?

Dr. SPARRE. It, Badische Co., is part of the I. G. now.

Mr. RAUSHENBUSH. It is part of the I. G. now?

Dr. SPARRE. Yes, sir.

Mr. RAUSHENBUSH. We do not want to go too far afield in this, but the whole point I am making is that this was a tariff speech at the time, and he went on to state that the international bankers who had trade in Europe would take an awful lacing in this regard, and that American industry must be prepared to meet this after the war. In other words, there should be a tariff to protect the chemical industry.

This cable from Mr. Poucher, in which he says that disarmament is a farce as long as Germany maintains her chemical monopoly, and the statement by Lefebure, and the speech by Mr. Hale are only typical things which were in the files, showing, it seems to us, that the whole question of control of the chemical industry was really a very important one to the whole question of disarmament.

Would you not accept that at this moment?

Dr. SPARRE. If you ask me, I rather have a different opinion.

Mr. RAUSHENBUSH. All right, sir.

Mr. SPARRE. I do not think so.

Mr. RAUSHENBUSH. You think these men were wrong?

Dr. SPARRE. If course, different men have different opinions. So far as I am concerned, I was engaged in the munitions end up to 1916, and that year I was asked to discontinue my work in connection with munitions and undertake a study of new industries, which the du Pont Co. would take up after the close of the war, because of at least some people's opinion being, and being also my own, that that would probably be the last war in our generation, at least the last large war. We had a large organization of very competent men, technical men and financial men, and such an organization is a very valuable asset. And we did not think it was proper business or fair to the men to discharge them immediately peace was declared.

Mr. RAUSHENBUSH. Pardon me, but are you not getting into what may seem to be a changing over to another industry? I was simply trying to get at the fact that these people were using this argument to put through the tariff: that the chemical industry had a relation to war and disarmament, and I asked for an agreement or disagreement on that fact.

Dr. SPARRE. It is true that there is a relationship, but I think it was very much exaggerated in those days. Certainly the fact is that the du Pont Co., being now engaged very widely in the chemical industry, probably only 1 or 2 percent of our business is connected with munitions. Over 98 percent of our business is commercial.

Senator CLARK. Was not that the theory on which we took over the Germans' chemical patents, Doctor?

Dr. SPARRE. The chemical patents were, of course, taken over by the United States Government.

Senator CLARK. Is not that the correct theory?

Dr. SPARRE. To some extent, certainly, because during time of war then everything becomes of military value.

Senator CLARK. We did take them and keep them on that theory, did we not?

Dr. SPARRE. Yes, but, when peace is declared these patents have no longer military value.

Mr. RAUSHENBUSH. Either the people who sold this tariff to the country, if one may use that phrase, in those days—and that is, as I say, of course, only typical of a great many other instances—were completely wrong, or they were offering a proposition which had some sense to it; that is, this proposition that as long as the Badische-Anilin has a plant that can be converted into a mustard-gas plant, if true is certainly interesting, on the whole question of chemical armament, and certainly everybody applied it in those days.

" Disarmament is a farce while Germany retains organic chemical monopolies ", signed by your man Poucher, which is a proposition which we at this moment are now willing to accept; that the chemical questions were right in the middle of the disarmament problem, and I wonder whether most of you now here would not really accept that even today, after some 10 or 15 years beyond the particular instances that led to this particular action on the tariff. We still find that in a chemical code you put clauses referring to the importance of that industry in the preparedness situation, for example, which was undertaken last year.

Mr. LAMMOT DU PONT. Mr. Raushenbush, I do not think there is any question in anybody's mind that the chemical industry is very important from the military standpoint, but the degree of importance is different in every individual's mind.

Mr. RAUSHENBUSH. That is fair enough. There are times, let us say, when it is more important, to state it one way, perhaps, than another.

Mr. SPARRE. I said, Mr. Raushenbush, that the opinions here immediately after the war, I think, were exaggerated, in the light of present knowledge. I said that the chemical industry is immensely important, during time of war, and I said during peace times that it is also so, but it is commercial products.

Mr. RAUSHENBUSH. I do not think there is any argument on that, Dr. Sparre. The big chemical companies, not only the German, but ours and the French and English, are prominent at peace-time conferences, and have to be, so they claim.

Mr. SPARRE. That is right.

Mr. RAUSHENBUSH. The only point I was raising is that in war time or the period before war, which Major Casey told us might be 10 years the other day, they had a peculiar importance, and the only thing I was going to draw out of that—and again subject to correction on this—I was going to accept the proposition that these people, Mr. Poucher and the others, expressed in those days that disarmament would be a farce without such control, and he said without the German chemical monopoly controlled, and I want to take it one step further and say that disarmament would be a farce without control of the chemical industry. That is what I was trying to get at.

If these people are wrong, then perhaps this conclusion is wrong.

Dr. SPARRE. I think it is very much exaggerated.

Mr. RAUSHENBUSH. You do?

Dr. SPARRE. Because the chemical industry is a commercial industry, with a negligible part of its sales for munitions purposes during times of peace, but during times of war the sales for munitions purposes become a much larger percentage, but nevertheless, the commercial requirement is far larger.

Mr. RAUSHENBUSH. The comment which should be made on that, I think, Dr. Sparre, is this: That war-time preparedness naturally is always taking place in peace times, and if we look across the border of Germany, or France looks across the line and says, "All these big chemical plants can within a few days be producing poison gas", it has an effect on what France does.

That is what I was trying to say. What happens after the war starts is less important than the feeling about it. I was making a very simple point and not trying to make anything very complicated out of it; that is, that proposition that your people referred to, that disarmament after the war seemed to be a farce as long as Germany kept her chemical monopoly, and I wanted to take it one step further, and see whether chemical companies were in the middle of the disarmament question today, and whether it might follow that unless there was some international control of chemical companies, disarmament might still be a farce.

I threw that open as a tentative conclusion from what I had gotten out of this. I think possibly we will come back to it later.

Mr. PIERRE DU PONT. Might I say a word on this situation?

Mr. RAUSHENBUSH. Yes, sir.

Mr. PIERRE DU PONT. It is just another man's point of view on the whole subject.

As I recollect the situation before the war, Germany was the largest producer of what we call organic chemicals or dyes. There is no way of distinguishing between an organic chemical, a dye, and an ordinary chemical. There is no sharp difference. Formerly organic chemicals were those which grew naturally, either from vegetables or through other natural processes, but later on those chemicals were produced artificially from all sorts of inorganic substances, and dyes were a part of that group, a small part, probably.

The whole thing is interwoven. Take the manufacture of indigo. That may result in production of a large quantity of byproduct.

To get rid of that it is used as a raw material for manufacture that some other industry might be engaged in, so that the whole chemical industry is one of making major products, and taking the byproducts and converting them again into other products and byproducts, still going further, so that there is a continual change and interrelation of all these products.

Take the question of munitions: It today happens that the principal munitions are classified among the chemical industry, and also among the organic chemicals, as I know them, although they were never made naturally or never occurred naturally.

Let us take a small instance: We might take nitrotoluene, which is used for munitions and commercial explosives. The knowledge of making nitrotoluene, which was all we had when the war began, put the Government in the position of being able to make trinitrotoluene, TNT. It is the knowledge of the one which gives you the knowledge of the other. Although the processes for making nitrotoluene are not suitable for trinitrotoluene, they are closely allied. The same thing occurs all through the industry; that is, the knowledge of one thing is useful in connection with the knowledge of how to make some other product.

In the war materials, there are continuously new inventions being made, which are used in small quantities only, but are very important. Such knowledge cannot be had unless a body of experienced men is engaged in research, and finding out how to get things, learning what others are doing, and reproducing those inventions either by obtaining direct knowledge or by additional research.

So that it is very important that every nation shall have the knowledge connected with these products. If the whole thing was left in German hands, or in the hands of any country, they would have not only the know-how, the men to do it, and the apparatus to do it, but they would have a tremendous volume of production on which to build an explosive business, if it were required.

The important point, as I see it, at the end of the war, was to reduce the important volume of German business and transfer it to British or French or other control, so that they would have the volume basis, the experience basis, and the man-power basis that Germany had practically monopolized. I wish you would correct me, Dr. Sparre, because I may go wrong on some facts, and if I do, you may check me up right away—when Germany started in the chemical industry, one of the first things they made was turkey-red dye and indigo dye.

Is that right, Dr. Sparre?

Dr. SPARRE. Yes, sir.

Mr. PIERRE DU PONT. The German plan was to sell those dyes in great volume. They put natural turkey-red and natural indigo completely out of business, and that whole enormous trade which formerly belonged to China, was transferred to Germany. That enabled Germany to have a great background of industry on which they could build the more intricate dyes, those more difficult to make, and those used in smaller volume. They would sell their indigo and turkey-red at prices with which nobody could compete, and that enabled them to make these other dyes, also beyond the competition of other people, because they had no volume of production, of course.

Mr. RAUSHENBUSH. I think all this is accepted, Mr. du Pont.

Mr. PIERRE DU PONT. I think it is.

Mr. RAUSHENBUSH. We accepted that as the proposition that Germany had a great advantage in the chemical industry.

Mr. PIERRE DU PONT. It became necessary to distribute that among the nations, if Germany was not to retain this immense monopoly, this great chemical industry.

Mr. RAUSHENBUSH. You might also couple that with the proposition, the very same thought Mr. Poucher had, that unless that was done, that the matter of disarming was a farce. It would go along that line, would it not? That is, if Germany had the whole monopoly of dyes and patents that it had before the war, on low-grade products and so forth, that other countries could not go in for disarmament. Is not that right?

Mr. PIERRE DU PONT. That is right.

Mr. RAUSHENBUSH. In 1921 we have some instances of the way that this campaign was conducted—and I do not want to dwell on them too much—being a letter dated March 25, 1921, from your publicity manager to an employee of yours in Washington by the name of McNeely, which I will offer for appropriate number.

(The letter referred to was marked "Exhibit No. 915" and is included in the appendix on p. 2569.)[1]

Mr. RAUSHENBUSH. I want to point out what is said in the third paragraph of that letter, which reads as follows (reading):

> It is, of course, a fact and is quite apparent that American dye manufacturers want to protect and develop their industry as a business proposition, but we want more than the ordinary tariff for the reason that this is an intricate industry and cannot be developed except under unusual conditions. It really requires the absolute embargo of competitive products so that we can secure an income over the sale of these which will be sufficient to pay for the development of the products which we have not yet learned to make.
>
> I think with the present unsettled condition of world affairs, and with Germany's attitude toward the peace treaty arguments based on the question of disarmament are very much stronger than any others.

We cite your publicity manager because supposedly he was in charge of putting the campaign out before the country, and the argument was being made on the question of disarmament. I want to go back to that a little later.

We will enter that as an exhibit.

Then a book was apparently prepared by the American Dyes Institute, in the same year, and put out again, making the same case, and being sent to all the people, Senators, Congressmen, and so forth.

> It makes a stronger case for the dyes, and says that with an efficient dye-making industry, no nation need fear disarmament.

I will repeat that:

> With an efficient dye-making industry, no nation need fear disarmament, but without such an industry the disarmed nation would be at the mercy of any other dye-making nation in the world.

Again he makes the same point I was trying to make a minute ago, and ran into a little difficulty on, namely, that no nation need fear disarmament, if it has an efficient dye-making industry, but without such an industry the disarmed nation would be at the mercy of any other dye-making nation in the world.

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[1] "Exhibit No. 915" was referred to further in Part XII, p. 2764.

I confess I cannot quite understand what he means by it, but he goes on, in the next paragraph, to state (reading):

> It points out how quickly a nation with an adequate dye industry can expand it to make the gases with which Germany almost won the war and which must figure so prominently in all future conflicts.

Again I am not sure I understand what he means. I simply want to make the point that here the whole matter appeared to me to be somewhat under the guise of war defense—using "guise" without any reflection—somewhat under the theory of war defense, and was being developed in that way and was being put before the public.

(The document referred to was marked "Exhibit No. 916" and is included in the appendix on p. 2569.)

Mr. PIERRE DU PONT. The proposition is exactly the same as it is in the matter of food. A nation is at a great disadvantage if it has to depend on others for its food, because food is the greatest ammunition, without which no one could exist at all. It is the same proposition.

Mr. RAUSHENBUSH. Does not your analogy break down if a nation can borrow food?

Mr PIERRE DU PONT. I do not think so.

Mr. RAUSHENBUSH. You are talking about the chemical industry being like food, and you were talking here about putting in an embargo, or putting in a very high tariff with high foreign duties. Using your illustration, it would be food. I was just pointing out that it was not very analogous, when you look at it.

Mr. PIERRE DU PONT. I am not so sure I follow you on that, but if there is an embargo on the exportation of food to any nation in the event of war, it is without food and goes down very quickly.

Mr. RAUSHENBUSH. There was an embargo on dyes into this country.

Now, you kindly furnished us with several tables showing your publicity expenses and your contribution to the American Dyes Institute, and various other manufacturing organizations, T. R. Shipp Services, American Chemical Society, Chemical Alliance, and so forth, during those years. I have not added them up, however.

Then, in addition, there are contributions to the Chemical Foundation, of very considerable sums. Those were for patent royalties?

Mr. LAMMOT DU PONT. The Chemical Foundation was a foundation organized for the purpose of taking over German patents.

Mr. RAUSHENBUSH. And these contributions of yours were in payment for those patents?

Mr. LAMMOT DU PONT. I do not think they were contributions, were they?

Mr. RAUSHENBUSH. Those payments.

Mr. LAMMOT DU PONT. I think they were payments for the stock.

Mr. RAUSHENBUSH. It was a stock arrangement? Did the Chemical Foundation conduct some of the propaganda, if you will, for some of these tariffs and embargoes at that time?

Mr. Lammot du Pont. I did not get the question.

Mr. Raushenbush. Read the question, Mr. Reporter.

(The pending question, as above recorded, was read by the reporter.)

Mr. Lammot du Pont. I cannot answer that.

Mr. Weston. Yes; very decidedly.

Mr. Raushenbush. They did take part?

Mr. Weston. Yes, sir; they were very active in it.

Mr. Raushenbush. The stock purchasers of the Chemical Foundation would pay for some of that?

Mr. Lammot du Pont. Some of our payments to the Chemical Foundation were for stock in the corporation, and some were by way of royalties for use of the patents owned by the Chemical Foundation.

(The table showing du Pont publicity expenses was marked "Exhibit No. 917" and is included in the appendix on p. 2570.)

(The list of du Pont contributions to various chemical organizations was marked "Exhibit No. 918" and is included in the appendix on p. 2571.)

Mr. Raushenbush. All I was driving at was this—and again it is not the most important point—that these contributions listed here in "Exhibit No. 918", along with all the others, in some way brought about a favorable reaction on the tariff legislation at that time.

Mr. Lammot du Pont. Of course, I cannot say what the actual dollars which we paid into the Chemical Foundation were used for. Presumably they put it in their bank account and then used the money for their expenditures, whatever they were.

Mr. Raushenbush. It was something more than a foundation simply to hold the patents. was it not? It was actively engaged in doing what it thought necessary to defend the chemical industry at the time?

Mr. Lammot du Pont. I understand it was formed to acquire the German patents.

Mr. Raushenbush. And also to acquire the German patents; yes, sir.

Then going on to a letter written November 29, 1919, in the middle of this, addressed to W. S. Carpenter, a vice president of the du Pont Co., from Mr. Meade, and dated in Paris, which I would like to have you look at, especially on the second page, where we begin to get what seems to be one of the explanations which is of very intense interest in the matter of protecting the dye industry in this country.

I will offer that as the next exhibit.

(The letter referred to was marked "Exhibit No. 919" and is included in the appendix on p. 2571.)

Raushenbush. The point to which I particularly wish to refer in that last exhibit is the end of the second paragraph on that page. I wonder if you would read that. The letter deals with a great number of things, but largely the negotiations with the German chemical industry, and I think you had men over there, did you not, negotiating with them off and on pretty steadily, from very shortly after the war, on?

Mr. LAMMOT DU PONT. No; I think we had nobody there steadily.

Mr. RAUSHENBUSH. Off and on. They were constantly going and coming, were they not?

Mr. LAMMOT DU PONT. I think that is correct; yes, sir, not literally, constantly.

Mr. RAUSHENBUSH. Who were your representatives over there? At this moment Mr. Meade was over there, and you also had a Mr. Berg over there reporting to you.

Mr. LAMMOT DU PONT. Yes, sir; he was over there.

Mr. RAUSHENBUSH. And at various times it seems to me you had other officers. Did not Mr. Poucher go over?

Mr. LAMMOT DU PONT. I think he did.

Mr. RAUSHENBUSH. And Mr. Laffey?

Mr. LAMMOT DU PONT. I think so.

Mr. RAUSHENBUSH. And Mr. Kunz?

Mr. LAMMOT DU PONT. I think so. I do not know that they were all there in 1919.

Mr. RAUSHENBUSH. We find them getting together in 1919.

Mr. LAMMOT DU PONT. I think it is quite likely.

Mr. RAUSHENBUSH. While this business was going on, of showing the country the importance of the chemical industry in warfare, which most of us agree is of great importance—we divide, seemingly, Dr. Sparre, only on the degree to which it is important——

Dr. SPARRE. No; I disagree with another statement.

Mr. RAUSHENBUSH. On that particular point?

Dr. SPARRE. No; not on that particular point.

Mr. RAUSHENBUSH. We will come back to that in just a moment. At the moment, when you were showing the country here that it was very important to take over the control of the chemical monopoly, to take it away from Germany and get a well-developed chemical industry in this country, you were dealing with the Germans over there, and that sentence which I asked you to read would throw some light on it, would it not?

Mr. LAMMOT DU PONT. Which sentence do you mean?

Mr. RAUSHENBUSH. I mean this one, toward the end of the second paragraph, on the second page, which states [reading]

> It may be that the I. G.—

that is the German dye trust—

> may decide to deal as a unit in the United States with either National, Grasselli, or ourselves. At any rate you can see the importance of everlastingly turning the regulatory screw in America both as to control of imports and future protective legislation.

Now, as I understand it, the idea is that that letter says that the Germans must know that you have control of the situation in this counry, and that they cannot expect to use the export market, because you can prevent them in doing that and that it is therefore important to—

> everlastingly turn the regulatory screw in America both as to control of imports and future protective legislation.

At the same time the big tariff campaign was going on. This was one of the results of that campaign that brought the Germans to terms?

Mr. Lammot du Pont. It was what was sought over there.

Mr. Raushenbush. It was intended to bring the Germans to terms?

Mr. Lammot du Pont. Yes; to keep them out.

Mr. Raushenbush. In that connection, in the same document there are minutes of a meeting held November 20, 21, and 22 at the Baur au Lac Hotel, Zurich, Switzerland, in which the representatives of the Badische Co. had an indigo plant to be converted into a mustard-gas plant, according to Dr. Hale, inside of an hour.

Mr. Lammot du Pont. Not an indigo plant.

Mr. Raushenbush. He referred to it as having an indigo process, didn't he?

Mr. Lammot du Pont. Only a part of the plant.

Mr. Raushenbush. They had a much bigger plant, of course.

Mr. Lammot du Pont. I am not a chemist, but I do not think indigo and mustard gas would relate to the same thing at all.

Mr. Raushenbush. I do not want to be formalistic about this; Dr. Hale describes in detail that matter, but I skipped the description. But let us take, for example, indigo, and he talks about how it is processed, the making of chlorine gas, and so on, and he says that with Germany drawn into war this entire plant could be converted into a mustard-gas plant in less than an hour's time.

Mr. Lammot du Pont. I said I thought that was an exaggeration.

Mr. Raushenbush. Yes; you did at the time.

Mr. Lammot du Pont. Yes.

Mr. Raushenbush. Now, coming to this negotiation you were having with the Germans at the time—that memorandum of the minutes I would like to enter as an exhibit with the proper number.

(The minutes referred to were marked " Exhibit No. 920 " and are included in the appendix on p. 2573.)

Mr. Raushenbush. It is proposed here to form a world corporation—what they call a world company—with this German company. Isn't that about it? They reserve the German market for themselves, and they say the French market is tied up by the French, but you will have about the rest of the world on that. Isn't that about an accurate outline of what this process was?

Mr. Lammot du Pont. I do not see that.

Mr. Raushenbush. That is on the first page there [reading]:

> The world company should have the whole world as its market, except as follows:
>
> (*a*) France with whom the Badische Co. already have made a contract which is limited to the manufacture and sale only in France, her colonies, and protectorates. It is understood that should the French fail to carry out their plans these territories should be included in those assigned to the world company.
>
> (*b*) The Badische Co. shall be granted an exclusive territory in which to exploit the process, Germany and the territory known as "Austria-Hungary."

And certain further rights in Europe. And then you seem to have the rest of the world there, according to this tentative plan.

Mr. Lammot du Pont. The paragraph numbered 1 there says it is possible to do that.

Mr. Raushenbush. Yes. And then you go on to describe what that company would be if that plan went through.

Mr. Lammot du Pont. It was all possible.

Mr. Raushenbush. Yes; it was all possible. The point is not the detail here, Mr. du Pont. What I am trying to get at is that there were fairly serious negotiations going on at the time.

Mr. Lammot du Pont. At that stage they were all possibilities.

Mr. Raushenbush. Yes. Here was a new situation the world was in. Germany had had the chemical monopoly, had shown it up very expressly in a military way during the war, and the chemical companies in the rest of the world were interested in either utilizing their processes or their chemists or their markets, isn't that true? There is nothing unusual about it. All I am trying to get is an agreement on that.

Mr. Lammot du Pont. No. The only point I wanted to make is that they were discussing possibilities.

Mr. Raushenbush. Yes. This did not go through.

Mr. Lammot du Pont. No.

Mr. Raushenbush. Mr. Sparre, did you want to interrupt to tell me where I made a mistake a little while ago?

Dr. Sparre. I said I disagreed with the statement that the disarmament would be a farce unless the chemical industry were under control.

Mr. Raushenbush. Would you raise your voice, please?

Dr. Sparre. Do you want me to repeat it?

Mr. Raushenbush. No; but would you just raise your voice from now on?

Dr. Sparre. All right. That was my only disagreement. That was a statement I made.

Mr. Raushfnbush. You disagreed with what was said here about the disarmament being a farce unless the chemical industry were under control?

Dr. Sparre. Yes. I think that is an exaggeration. I don't think there is the slightest foundation for it. I don't think that it has any connection with disarmament.

Mr. Raushenbush. You don't think it has any connection with disarmament?

Dr. Sparre. The commercial chemical industry.

Mr. Raushenbush. Did you see any material put out by chemical companies, the American dye industry, when they made their case at the time? Or was that put out over your opposition?

Dr. Sparre. No; I do not disagree with anything else said, only that one statement.

Mr. Raushenbush. I certainly thought in those days when they were trying to protect their newly won industry against the rest of the world, it was right in line with the disarmament question. It is either concerned with the armament question or the disarmament question, is it not? There isn't much doubt about that, is there?

Dr. Sparre. No; I think it is a commercial industry.

Mr. Raushenbush. Then why did you write a year ago that " the industry is to be considered especially because of its importance to national defense "?

Dr. Sparre. It is important to national defense; yes. I don't have any disagreement with that.

Mr. Raushenbush. National defense being then either disarmament or armament. It is either way you do it. It is in the middle of the armament question rather than the disarment question. It is very important, is it not? I believe we agree on that.

Dr. Sparre. Certainly it is very important; yes. There is no disagreement on that.

Mr. Raushenbush. Coming back to this outline, here is another letter dated January 12, 1920, which will be offered as an exhibit.

(The extract of letter referred to was marked "Exhibit No. 921" and is included in the appendix on page 2574.)

Mr. Raushenbush. That is an extract from a letter dated January 12, 1920, from Mr. Berg, describing a further conference between the English and the Germans and the Belgians in Aachen, in Germany, January 12, 1920, in which the English and the Belgians and apparently the French—French members of the Solvay Company—are also trying to negotiate with the Germans, and the head of the German group has said he has already made an arrangement with the du Pont Co. to tie up with them, if they can agree.

Mr. Lammot du Pont. On what subject was that, Mr. Raushenbush?

Mr. Raushenbush. Do you want me to go through the whole letter?

Mr. Lammot du Pont. No. I think the subject was mentioned in the fifth paragraph.

Mr. Raushenbush. Of the second page?

Mr. Lammot du Pont. The first page, where it says, "World exploitation of the ammonia process."

Mr. Raushenbush. I don't seem to find that.

Mr. Lammot du Pont. It is the fifth paragraph on the first page.

Mr. Raushenbush. Oh, yes. "World exploitation of the ammonia process is concerned."

It says [reading]:

> The Badische has, as you know, been communicating with Brunner Mond for quite some time and he believed the Badische should see them alone and inform them in a general way about our arrangement as far as the world exploitation of the ammonia process is concerned.

Did the Badische have other processes which were particularly interesting to you in a chemical way at that time?

Mr. Lammot du Pont. Why, yes; they had a very large number of processes.

Mr. Raushenbush. It was one of the leading chemical companies of Germany; was it not?

Mr. Lammot du Pont. Yes.

Mr. Raushenbush. It was only in that connection that I wanted to bring that out.

Mr. Lammot du Pont. Incidentally, that previous report, I think, refers to the ammonia process also.

Mr. Raushenbush. Now we come back to Washington about this time in 1920, and on January 22, 1920, we have a letter from Mr. Poucher to Mr. Irénée du Pont.

(The letter referred to was marked "Exhibit No. 922" and is included in the appendix on p. 2576.)[1]

Mr. Pierre du Pont. Mr. Chairman, I think it is unfortunate that Mr. Irénée du Pont was excused today. That is a part that requires his presence.

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[1] "Exhibit No. 922" was referred to further in Part XII, p. 2774.

Mr. Raushenbush. Who?

Mr. Pierre du Pont. Mr. Irénée du Pont.

Mr. Raushenbush. That is right.

Mr. Pierre du Pont. He was at that time the president and he would have at his fingers' ends things that I do not know anything about, and I doubt if my brother Lammot is familiar with it.

Mr. Lammot du Pont. I am just pinch hitting.

Mr. Pierre du Pont. Could we pass to another part of it and let that go until he returns?

Mr. Raushenbush. See if you can help identify events there. Were you still president of the company there in 1920, Mr. du Pont?

Mr. Pierre du Pont. No.

Mr. Raushenbush. Not in 1920?

Mr. Pierre du Pont. No. I had nothing to do with this part of it and I am totally unfamiliar with it, except as it comes to me by reading the documents for the first time.

Mr. Raushenbush. It is a matter describing the fight here in Washington. It says, "Situation clearer and better today." Can you identify "Martin" and "the major" and "Culbertson"? Mr. Weston, you were active in all this?

Mr. Weston. Yes. That was 15 years ago, but I cannot think who Martin is or the major.

Mr. Raushenbush. You have seen all of this correspondence recently, haven't you?

Mr. Weston. Yes; and I have tried to remember a lot of it, but have been only partially successful.

Mr. Lammot du Pont. The only one I recall there is Culbertson. He was a Senator at the time.

Mr. Raushenbush. He was a Senator?

Mr. Lammot du Pont. Yes.

Mr. Raushenbush. And Wood, do you recognize as John P. Wood, the Congressman?

Mr. Weston. Where did he figure? I don't recognize the name.

Mr. Raushenbush. He was in Congress. Perhaps you can get it from this.

> Situation clearer and better today.
>
> Martin and the major are hard at it. The plan is to push and keep Wood in the background; that is, behind Culbertson. Martin and the major are to fight it out with Culbertson by agreement with Senator Curtis.
>
> They will take anything from Culbertson that will help embargo and nothing that will hurt.

It is not that so much as the next paragraph that I am interested in:

> The major will likely propose that, as this is a measure touching national defense; the Commission should be headed by General Siebert to give it the flavor of defense rather than tariff.

Does anybody place the major in that story?

Mr. Weston. I cannot.

Mr. Raushenbush. The only point there was that here was a definite attempt to give, I suppose, the Embargo Commission a flavor of defense rather than of tariff. That is the only purpose.

Mr. Weston. Culbertson was a member of the Tariff Commission, wasn't he?

Mr. Pierre du Pont. I do not recall that.

Mr. Raushenbush. That is the only purpose for which that is introduced.

Mr. Weston. No; that does not mean anything to me. The only major I can think of was a Major Sylvester. That is bringing in another dead man, but I don't think he had anything to do with that.

Mr. Raushenbush. Mr. Weston, are you " C. K. W." ?

Mr. Weston. Yes.

Mr .Raushenbush. I have here a letter signed by you, addressed to Mr. Rust, of the Koppers Co. in Pittsburgh, November 10, 1919.

(The letter referred to was marked " Exhibit No. 923 " and is included in the appendix on p. 2577.)

Mr. Raushenbush. That refers to a Col. John P. Wood. Is that the man referred to in the earlier letter?

Mr. Weston. Yes; Twenty-second and Spring Garden. John P. Wood was, I think, head of a large textile industry in Philadelphia.

Mr. Raushenbush. Yes.

Mr. Weston. That " Twenty-second and Spring Garden " rather identifies it.

Mr. Raushenbush. Yes; it does. Then you were asking the support of the Koppers group in Pittsburgh, with Mr. Grundy in Pennsylvania to help you in this matter, weren't you?

Mr. Weston. Yes.

Mr. Raushenbush. Then there is another letter which shows somewhat the same sort of thing, and again may I point out that I personally feel that when an industry wants to get something it operates in certain ways, and one cannot at long distance pass too much judgment on it, and I am not attempting that, but here is a letter dated March 23, 1920, addressed to Mr. Choate and signed by Mr. Poucher, which deals with this same business.

(The letter referred to was marked " Exhibit No. 924 " and is included in the appendix on p. 2577.)

Mr. Raushenbush. Will you look at that, Mr. du Pont, if you can? It deals with this opposition of the textile industry to your bill and shows the rather interesting way one of your men attempted, it seems, to influence the textile industry. I refer to the last paragraph on the first page, beginning " Incidentally, Mr. Hobbs." Can anybody identify Mr. Hobbs, Mr. Franklin W. Hobbs?

Mr. Lammot du Pont. He was a man interested in textiles in New England; I think in Providence.

Mr. Raushenbush (reading):

> Incidentally, Mr. Hobbs called Mr. Woods' attention to the movement under way by the Department of Justice, to investigate the textile industry on the charge of undue profiteering. At any rate, Mr. Wood decided to call this meeting. Mr. Hobbs tells me he made a statement along the lines of Mr. Hobbs' letter. This was followed by some remarks by Mr. Auerbach, to the effect that in his opinion these mills should all support the bill.

It would seem to be a little use of well, perhaps, inside information from the Department of Justice in the matter. Does anybody know anything about that transaction at all? Don't you remember, Mr. Weston?

Mr. Weston. Let me check it again. I have not noticed this.

Mr. Raushenbush. I realize we are at some handicap by the absence of Mr. Irénée du Pont, but he was excused.

Mr. Weston. Where is that reference to the Department of Justice?

Mr. Raushenbush. The last paragraph.

Mr. Weston. No; I cannot throw any light on that.

Mr. Raushenbush. You do not identify that in any way?

Mr. Weston. No, it does not register with me at all.

Mr. Raushenbush. We come to another letter dated February 3, 1920, from your agent, Mr. Berg, over in France to the du Pont Co.

(The letter referred to was marked "Exhibit No. 925" and is included in the appendix on p. 2578.)[1]

Mr. Raushenbush. In the second paragraph on the second page of this letter, the Germans seemed to realize that you are doing what seems to be working against them over in this country. There isn't much question about that point, is there? Dr. Herty was in on that, apparently. Now, did this scrap, Mr. du Pont or Mr. Swint, or as far as anybody remembers here, did this business of your raising the tariff against the Germans sort of put an end for awhile to your negotiations with them about these various things? Was there the feeling that they would not particularly deal with you on their processes and patents as the result of this?

Mr. Lammot du Pont. That paragraph seems to indicate that.

Mr. Raushenbush. I mean, what is your general experience and memory on that thing? How about it?

Mr. Swint. I was not connected with this sort of work at that time.

Mr. Raushenbush. Was there a lapse in connection with your securing this?

Mr. Lammot du Pont. We never did get it.

Mr. Raushenbush. On any arrangements at all?

Mr. Lammot du Pont. Not on this ammonia job.

Mr. Raushenbush. No, but didn't it affect the German companies generally?

Mr. Lammot du Pont. I do not think it did, but I do not recall how it happened.

Mr. Raushenbush. I do not want to particularly go into it, but we have some other letters about it.

Now, coming back to the Congress of the United States, it would seem that Mr. Irénée du Pont had taken the fight down to Congress himself. Was he then the president of the company, Mr. Pierre du Pont?

Mr. Pierre du Pont. Yes, sir.

Mr. Raushenbush. When did he take it over?

Mr. Pierre du Pont. In 1919.

Mr. Raushenbush. That exhibit needs some identification, perhaps, and we had better wait until he comes back on that. Let me take that up later. I will withdraw that for a moment.

At the same time that you were making this fight in the Congress for your legislation, your protection, is it not true that you had a man in Paris who was actively engaged in publicity work over there in trying to get dispatches sent from both Paris and London to make our people in this country feel that we absolutely had to have this protection for our dye industry or your dye industry as a war measure? Do you remember that, Mr. Weston?

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[1] "Exhibit No. 935" was referred to further in Part XII, p. 2756.

Mr. Weston. Yes.

Mr. Raushenbush. Will you tell us a little about that? Here is a letter from Mr. Raleigh written from Paris to you January 25, 1921, which will be the next exhibit number.

(The letter referred to was marked "Exhibit No. 926" and is included in the appendix on p. 2579.)

Mr. Weston. What is the name?

Mr. Raushenbush. Mr. Raleigh, addressed to Mr. Weston.

Mr. Weston. Yes.

Mr. Raushenbush. I call your attention to paragraph 3, as to the matter of control of the press. He speaks of having arranged certain articles to come out in France. He goes and talks with some prominent people there and gets news stories which seem to be calculated to have a very definite effect on public opinion here.

Mr. Weston. That was the object of the visit over there. The visit over there was to try to off-set the very rabid German propaganda which was coming over here, I think, at that time—this is back in what?

Mr. Raushenbush. In 1921.

Mr. Weston. At that time the question of reparation dyes was under consideration. I think we were still officially at war with Germany at that time. I don't remember just when we signed the treaty. When was it? Anyway, the question of reparation dyes was a very live topic. There were a number of American chemists and people interested in the industry over there, and we were very anxious at this end, our Dye Institute committee, to offset what we thought were the unfair and untrue stories that were coming from abroad. I went over there to try to get in touch with the news sources and put the American newspaper correspondents in touch with the sources of information. Mr. Raleigh was an old American newspaper acquaintance of mine, and when I left I left him in charge of that work. His work principally was to keep the news going from the American sources over there rather than from the German sources which we had been getting.

Mr. Raushenbush. You speak of the—

> Public Ledger syndicate and the Chicago Tribune syndicate papers are to be supplied with a story I have arranged which will point out that the French Government, upon confidential information from its investigators in Germany regarding a coming great German dump of goods, will further increase its coefficient tariff rates on dyestuffs, chemicals, etc. The stories will point out that France will increase the coefficients not only to safeguard French industry but also to prevent further unemployment.

You go on, then, with other letters addressed to your department, filed by them, Mr. Poucher, and others, particularly January 5, 1920, to cite the headlines in the British papers, "Britain foresees gas war."

That will be offered as an exhibit.

(The document referred to was marked "Exhibit No. 927" and is included in the appendix on p. 2580.)[1]

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[1] "Exhibit No. 927" was referred to further in Part XII, p. 2759.

Mr. RAUSHENBUSH. That headline continues:

> New legislation will shut out dyestuffs and enable plants to be built which can be converted into poison-gas factories.

You cite further stories from the British papers:

> Dye plants, by a slight change, can be readily converted into war plants for the manufacture of poison gas.

Then you take credit on January 15, 1921, for a story in the Boston Transcript, dated from London, "Britain foresees gas warfare", a story by Wythe Williams from Paris about German dye plots against the United States; the Evening Bulletin of Philadelphia, dispatch dated from London; and the Public Ledger, a dispatch dated from Paris, "Germany sets dye trade trap."

That will be offered as another exhibit.

(The memorandum referred to was marked "Exhibit No. 928", and is included in the appendix on p. 2851.[1]

Mr. WESTON. I do not remember the details of that, but all of that was part of a campaign that we were conducting for the upbuilding of the American dye industry and to offset, as I said before, the things that were coming out of Germany that I thought were inimical to our own industry.

Mr. RAUSHENBUSH. And you had the men in Paris who were writing articles for the Paris editions of the New York Herald and Chicago Tribune writing under assumed names; is that right?

Mr. WESTON. Yes. I think that was Ben Raleigh. Ben Raleigh was the European representative of the Whaley-Eaton News Service, and Ben was doing this entirely outside of his Whaley-Eaton connection, and he did not want to do it under his own name.

Mr. RAUSHENBUSH. He was writing under the name of Guy Martin for publication purposes?

Mr. WESTON. I do not recall the name, but if that is the name that is given in the letter, that is it.

Mr. RAUSHENBUSH. I will offer as an exhibit, dated April 28, 1921, letter from the publicity manager to Mr. Meade, dealing with that story.

(The letter referred to was marked "Exhibit No. 929", and is included in the appendix on p. 2581.)

Mr. RAUSHENBUSH. Now, isn't this true—this is not your chemical company we want to get into, but the others—is it not true that you thought the situation was important enough so that you had to send a man over to Europe to keep the pot boiling, not only in Paris but in London, with dispatches that would be calculated to make the American people see the importance of favoring your particular industry?

Mr. WESTON. That is exactly what we were after.

Mr. RAUSHENBUSH. That is exactly what you were after and exactly what you were doing.

Mr. WESTON. Yes.

Mr. RAUSHENBUSH. Just to show you were not the only ones here, I want to offer an exhibit dated June 14, 1922, which indicates—again, you received this from the Whaley-Eaton Service—that some of your competitors in the chemical industry were over negotiating with the Germans.

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[1] "Exhibit No. 928" was referred to further in part XII, p. 2760.

(The letter referred to was marked "Exhibit No. 930", and is included in the appendix on p. 2582.)

Mr. RAUSHENBUSH. Mr. du Pont, would you recognize that letter at all? Do you recognize which of your competitors were over there, referred to in those negotiations?

Mr. WESTON. I don't know.

Mr. LAMMOT DU PONT. No, I do not recognize them at all.

Mr. RAUSHENBUSH. Isn't there anybody here, outside of Mr. Irénée du Pont, more closely connected with the whole tariff and dye business at that time? Your competitors were apparently over there, and, according to this, they were using three United States Congressmen to help them in their negotiations. Don't you remember who those people were? It must have been some company of some importance.

Mr. LAMMOT DU PONT. This refers to competitors.

Mr. WESTON. This, I take it, Mr. Raushenbush, is a quotation from the Whaley-Eaton Service, which is one of these Washington news services.

Mr. RAUSHENBUSH. A cable from Paris.

Mr. WESTON. Sent along as a matter of information. That would be my guess on that, without knowing anything at all about it.

Mr. RAUSHENBUSH. Your staff has all this correspondence somewhere in the back of the room, I am sure, but, as I remember it from the rest of the papers which we did not take, one of your competitors had this particular Congressman mentioned in the third line helping them in connection with the negotiations with the Germans at the time. Now we find out he had two other Congressmen associated with him, which makes three, and what I am trying to get at is what company that was that was so interested in getting in on this German dye industry.

Mr. PIERRE DU PONT. Weren't they all interested, all of the manufacturers in the chemical industry?

Mr. WESTON. All except those who had German connections. They were not interested in this American Dye Institute. That was Metz and some others. I forget who.

Mr. PIERRE DU PONT. Weren't all of the members of the Dye Institute active in this question?

Mr. WESTON. All the members?

Mr. PIERRE DU PONT. Yes.

Mr. WESTON. Very active.

Mr. PIERRE DU PONT. Haven't you a list of those members?

Mr. WESTON. No; I have not.

Mr. PIERRE DU PONT. Haven't you a list of the members of the Dye Institute? I think that would be quite complete.

Mr. RAUSHENBUSH. I don't think we have that here, as I recall it.

Mr. WESTON. It included all of the American dye and chemical manufacturers, except the few who had German connections surviving their pre-war control of the industry in this country. There are not many of them.

Mr. RAUSHENBUSH. What I am getting at is this: Some of you must have known what your competitors were trying to do over there in Germany. Either they were trying to sign up with the Germans on some of these patents and processes at the time when the Germans were antagonistic to you because of tariff activities, or else they were trying something else.

Mr. Weston. I am sure, without knowing names, that there were no competitors in this thing, that all of the American dye and chemical interests worked together in this movement, and that the only competitors were the few with German connections who were not members of the institute.

Mr. Raushenbush. Who would those be?

Mr. Pierre du Pont. I think at that time all of the German patents were in this Chemical Foundation. You see, the United States Government took the whole thing over, and it was placed in the hands of the Chemical Foundation, so the Germans were powerless to negotiate their patents with anyone.

Mr. Lammot du Pont. And those patents were available to every American manufacturer.

Mr. Raushenbush. The processes were still open, weren't they? I mean, you were negotiating with them about this ammonia process here a little while ago.

Mr. Pierre du Pont. That was not a part of the dye industry.

Mr. Swint. I do not believe there were any patents valid at that time. I am not sure.

Mr. Raushenbush. But there were processes of considerable importance.

Mr. Swint. Yes.

Mr. Raushenbush. I do not think the distinction you made there changes the subject?

Mr. Pierre du Pont. You are quite right in that.

Mr. Raushenbush. Here is something I do not want to stress too much, but apparently the Germans had enough so that rather leading American Congressmen carried on negotiations for somebody who I recall from your file was one of your competitors, and now we find he has two others, who are rather important Congressmen, associated with him. All I am trying to show is not what your company was doing, but what competitive companies were doing, and I wanted to see if somebody from your correspondence or file could find what that transaction was or what the name of that company was.

Mr. Lammot du Pont. I don't think there is anybody could state that, unless it is Irénée, and I don't know whether he would be able to.

Mr. Pierre du Pont. Cannot we mark that for something to investigate? We may be able to find out.

Mr. Swint. Mr. Raushenbush, I would like to correct that statement about the question of patents. I recall now there were several patents on ammonia that were still in force at that time. There was a long series of them and some of them had expired and some not.

ACTIVITIES OF AMERICAN DYE INDUSTRY IN OPPOSING ATTEMPTS TO CONTROL THE CHEMICAL WARFARE BUSINESS IN 1922

Mr. Raushenbush. In view of the absence of so many members, when we arranged our schedule we did not realize, or I did not realize personally, that Mr. Irénée du Pont would not be here. I think we would like to wait until his return before proceeding with all of this. But I do want to ask Mr. Weston, who is here, just a few more questions about things at this time. Mr. Weston, I want to show you an exhibit dated September 22, 1921, which will be offered.

(The letter referred to was marked "Exhibit No. 931" and is included in the appendix on p. 2582.)[1]

Mr. Raushenbush. In this letter you wrote to Mr. P. H. Whaley of the Whaley-Eaton Service:

> My Dear Whaley: You know, of course, that the chemical industry will figure very largely in the coming Disarmament Conference. The Chemical Warfare Service will, of course, be consulted. It may interest you, as a piece of news, to learn that the chemical industry as a whole will be represented through advisers to be appointed to help the American delegation solve its problems. The names of several distinguished chemists are now under consideration at the White House and announcement of the appointment of representatives of the chemical industry probably will be made very soon.
>
> For your private information, the President has received favorably the suggestion that Dr. Charles H. Herty and Dr. Edgar Fahs Smyth, former provost of the University of Pennsylvania and president of the American Chemical Society, be named as advisers.

Could you identify Dr. Herty for us, Mr. Weston?

Mr. Weston. Dr. Herty is one of the outstanding chemists of the country. Dr. Herty is one of three who tonight is receiving high honors from the Chemical Alliance in New York. That is where Mr. Irénée du Pont has gone to present those honors to Dr. Herty, Mr. Poucher, and Francis P. Garvin. Dr. Herty has been one of the outstanding chemists of the country. Dr. Smith was a very famous and well-known chemist and former provost of the University of Pennsylvania, as it says here.

Mr. Raushenbush. Was not Dr. Herty involved in your negotiation with the Germans? Had he not been in Europe for you?

Mr. Weston. Dr. Herty went to Europe for the Dyes Institute.

Mr. Raushenbush. For the Dyes Institute?

Mr. Weston. Yes, sir.

Mr. Raushenbush. But he was actively interested in your dealings with the Germans at these various meetings, was he not?

Mr. Weston. He was actively interested in our activities here. I do not know that he had anything to do with the Germans here.

Mr. Raushenbush. It seems to me that we ran into him a few moments ago.

Mr. Weston. He was a Dyes Institute man.

Mr. Raushenbush. And you contribute, in turn, to the Dyes Institute?

Mr. Weston. We were a part of the organization.

Mr. Raushenbush. Then we come to something which took place on November 9, 1921, and I show you this letter from the Whaley-Eaton Service to Mr. Frank Byrne, which I will ask to be appropriately numbered.

(The letter referred to was marked "Exhibit No. 932" and is included in the appendix on p. 2582.)[2]

Mr. Raushenbush. Was Mr. Byrne in your department?

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[1] "Exhibit No. 931" was referred to further in Part XII, p. 2755.

[2] "Exhibit No. 932" was referred to further in Part XII, p. 2756.

Mr. WESTON. Frank Byrne is my assistant.

Mr. RAUSHENBUSH. That letter states [reading]:

> Referring to your telephone inquiry in regard to the members of the French delegation experts on chemical disarmament—

This was approaching the 1922 Chemical Disarmament Conference here in Washington, was it not?

> Our own information, as carried in our last week's foreign letter, came by cable, which mentioned the names of these two gentlemen as Mayer and Moren. On inquiry at the State Department, we find that M. Andre Mayer is in Washington with the French delegation, but no M. Moren.

Then the letter goes on to state this, to which I call your attention:

> We think it very unlikely that we will be able to get any of the details of the plan for chemical disarmament from these gentlemen, but we will do our best.

Mr. WESTON. Yes, sir.

Mr. RAUSHENBUSH. Do I take it from that, that you were trying to sound out the members of the French disarmament delegation at that time?

Mr. WESTON. I have tried to refresh my memory on this, and, as I recall it, the Whalen-Eaton Service was a Washington news service, and they sent out the announcement that these gentlemen were coming over from Paris, as they say here in their foreign letter, and my department asked the Whaley-Eaton Service if they had any more information or if they could get any information to supplement their news announcement. That is the reply.

Mr. RAUSHENBUSH. The reply is that, " We think it very unlikely that we will be able to get any of the details of the plan for chemical disarmament from these gentlemen, but we will do our best."

Mr. WESTON. Yes, sir.

Mr. RAUSHENBUSH. Now, that, together with an exhibit dated November 25, 1921, which you wrote to Mr. Poucher, is interesting. I will offer that last letter for appropriate number.

(The letter referred to was marked " Exhibit No. 933 ", and is included in the appendix on p. 2583.)[1]

Mr. RAUSHENBUSH. That letter reads:

> I am informed through the Washington " grapevine " that the British delegation to the Limitation of Armaments Conference has a plan to submit concerning the chemical industry which embodies these points—

That again is a disarmament conference or a limitation of armaments and the chemical industry is coming into it, is it not?

Mr. WESTON. Yes, sir.

Mr. RAUSHENBUSH. And you were informed through the " Washington grapevine " about what the British delegation has. Could we stop for a minute and find out just exactly whom you had down here in Washington at that time?

Mr. WESTON. We had down here a large delegation and the American Dyes Institute continued on the job. We had headquarters established here, with a secretary. I suppose there was probably at all times a half dozen or more representatives of the industry who were here seeking all kinds of information bearing on this subject. That is probably the " grapevine." I do not know.

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[1] " Exhibit No. 933 " was referred to further in Part XII, p. 2757.

Mr. RAUSHENBUSH. Could you mention some of the names of the people who were most active for you at that time down here? What is this Washington "grapevine?"

Mr. WESTON. I was just saying that.

Mr. RAUSHENBUSH. You mentioned the institute, and so forth. Can you give me the names of all of these people?

Mr. WESTON. You will have to get the names from the Dyes Institute; get the membership of the Dyes Institute and check up the names.

Mr. RAUSHENBUSH. The names of the members of the Dyes Institute would go all over the country and be located there.

Mr. WESTON. Yes, sir.

Mr. RAUSHENBUSH. Who was in Washington operating here at that time?

Mr. WESTON. There was a representative from nearly every company which was down here. I think all the Dyes Institute membership had representatives here. We were here, and National Analine had men here, and Calco Chemical Co. had men here, and the Dow Chemical Co. were here, and the Monsanto Chemical Co. That is about as far as I remember offhand.

Mr. RAUSHENBUSH. I wanted a list of the representatives of the companies and the names of the people who were active down here just before this 1922 Disarmament Conference, when the Gas Convention came up. There was an attempt to control the chemical-warfare business in 1922?

Mr. WESTON. Yes, sir.

Mr. RAUSHENBUSH. And I am asking the specific and detailed list of all the people representing the chemical industry who were down here and actively interested in opposing that.

Mr. WESTON. I guess, to get a real answer to that, we will have to get the membership of the dyes industry, because I remember only a few individuals, and it would not be fair to name a few people when there were probably 20 here.

Mr. RAUSHENBUSH. Perhaps when Mr. Irénée du Pont comes back, he will be prepared to answer that.

I want to finish this one exhibit which I have already introduced, the letter of November 25, 1921, that you wrote to Mr. Poucher. You state [reading]:

> I am informed through the Washington "grapevine" that the British delegation to the Limitation of Armaments Conference has a plan to submit concerning the chemical industry which embodies these points:
>
> First, to outlaw the use of poison gas in warfare and to outlaw as far as possible, anything of a dangerous chemical nature.
>
> Second, failing to secure drastic action (as they expect to fail) to limit the use of chemicals as much as possible.

I will repeat that:

> Second, failing to secure drastic action (as they expect to fail) to limit the use of chemicals as much as possible.

That is important, in a way, and I do not know which of you can answer this best, but here you know what the British delegation is going to try and do, and what it knows it cannot go ahead and do, and we want to know what sources you had on that. Were you told by Nobel about that, about what the British delegation would try and what it would fail to go ahead and get done?

Mr. WESTON. No; I cannot throw any light on that.

Mr. RAUSHENBUSH. Can any of the other gentlemen sitting here?

Mr. LAMONT DU PONT. I certainly cannot.

Mr. WESTON. These reports, Mr. Raushenbush, reports of that sort to Mr. Poucher, were the summary of information which was coming to me, as one of the representatives of the du Pont Co. on that Dyes Institute Committee, and probably represents—I say probably because I do not know definitely at this date—probably represents the summary of the news and gossip that we had all along the line, where everybody was trying to keep their ears open for information.

Mr. RAUSHENBUSH. The British were still over there and had not come over here yet, and had not said anything, and you were passing around information, and I am asking for definite information, which is of very great interest, in the chemical industry.

There is a sort of logic to this questioning, Mr. Weston. You started off with a proposition by some of your people, that as long as there was chemical control by Germany, or, no chemical control of that situation, disarmament would be a farce. Now we are getting back again to 1922, to discuss control of chemical warfare, and find that the British delegation is planning to propose to outlaw the use of poison gas, and expecting to fail in it.

Mr. WESTON. Yes, sir.

Mr. RAUSHENBUSH. And somewhere in those 2 or 3 years the whole argument for the control of the chemical industry as a means of disarmament has shifted and changed; and the third proposition is also one which is very interesting to the chemical industry:

> Third, to put the chemical industries of the various nations under the control of the governments.

Those were the three propositions which you heard about, and I was asking for definite information on how you knew about these things and I was going to ask about how all that affected you.

Mr. WESTON. I cannot give you an answer to that, and have no real information.

Mr. RAUSHENBUSH. Mr. Chairman, in view of the fact that this outline draft was prepared for use in the examination of Mr. Irénée du Pont, I suggest that we adjourn now.

Senator VANDENBERG. The committee will stand recessed until 10 o'clock tomorrow morning.

(Thereupon, the committee recessed at 3:45 p. m., until tomorrow morning at 10 o'clock, Friday, Dec. 7, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

FRIDAY, DECEMBER 7, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10 a. m. in the Finance Committee Room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), Vandenberg, Barbour, George, Clark, Pope.

Present also: Stephen Raushenbush, secretary to the committee.

FURTHER TESTIMONY OF IRÉNÉE DU PONT, LAMMOT DU PONT, A. FELIX DU PONT, K. K. V. CASEY, AND F. SPARRE

SALE OR INTERCHANGE OF MILITARY INVENTIONS AND SECRET PROCESSES

(The witnesses were previously duly sworn by the chairman.)

The Chairman. Let the committee be in order.

Senator Vandenberg, you may proceed.

Senator Vandenberg. Mr. Chairman, before taking up the evidence this morning, I want to say that I neglected last evening to insert in the record a newspaper statement made by Mr. Julius Klein, former Assistant Secretary of Commerce, respecting the Department of Commerce conference. I think as a matter of information that it should be printed in the record at this point.

(The document referred to was marked "Exhibit No. 934" and is included in the appendix on p. 2583.)

Senator Vandenberg. Now, Mr. Chairman, we want to inquire this morning rather briefly into the problem of the sale or interchange of new military inventions and secret processes as between American and foreign companies in connection with these international munitions contracts.

May I ask you, Mr. Felix du Pont, and I believe you were at the head of this section of the du Pont business, is it an inevitable part of foreign selling that upon occasion there must be an interchange of inventions and information respecting new processes?

Mr. A. Felix du Pont. I do not think so; no.

Senator Vandenberg. It is a substantial part of your relationship over the years with your European colleagues; is it not?

Mr. A. Felix du Pont. In military business; no. It has been in the past.

Senator VANDENBERG. I am speaking of the past.

Mr. A. FELIX DU PONT. That is quite a while ago, quite a good many years ago. I cannot give the exact number.

Senator VANDENBERG. Of course, in whatever degree it is a necessity, we confront a rather serious problem, because in effect we would be paying for the upkeep of a commercial industry at the expense of the military preparedness of our own country. At any rate, it is that phase of the matter that it seems to the committee important that some information should be available on.

Mr. A. FELIX DU PONT. Senator, it is quite evident from what we have done that we find it was not necessary, because we stopped exchanging new military secrets years ago.

Senator VANDENBERG. Let us see to what extent the situation has existed, and to what extent it still does or could exist. Certainly it has been a fundamental principle in the export policy of your company to work in close cooperation with I. C. I., has it not?

Mr. A. FELIX DU PONT. That is true; yes.

Senator VANDENBERG. You still believe in the desirability of that arrangement, do you not?

Mr. A. FELIX DU PONT. As regards the chemical industry generally, exclusive of military business.

Senator VANDENBERG. You now definitely exclude the military phase from your response?

Mr. A. FELIX DU PONT. Yes, sir.

Senator VANDENBERG. If there has been a change in your policy in this aspect, is it the result of difficulties which you have confronted in the past, difficulties with the Government itself?

Mr. A. FELIX DU PONT. No, sir.

Senator VANDENBERG. Do you recall your trip to England in the spring of 1923, during which you arranged for the licensing of the Nobel Co., which is now the I. C. I., on your patents for improved military rifle powder?

Mr. A. FELIX DU PONT. Yes; I remember it fairly well.

Senator VANDENBERG. Was this improved military rifle powder, which will be referred to hereafter as I. M. R. powder—was that development a pretty important one?

Mr. A. FELIX DU PONT. Yes; it was.

Senator VANDENBERG. I want to read the first exhibit this morning, which will be given its appropriate number, 935. It is a cablegram addressed to Mr. Felix du Pont while he was in London attending this conference with the Nobel Co., and sent to him from the Wilmington office.

(The cablegram referred to was marked "Exhibit No. 935" and appears in full in the text.)

Senator VANDENBERG (reading):

> Referring to your telegram of June 5 executive committee May 2, by resolution, decided that if Nobel Industries was granted exclusive license (to) manufacture I. M. R. powder for European country(ies) our sale would be so restricted that we would be driven out (of) that business. Executive committee recommended to finance committee that Nobel Industries be granted nonexclusive license to manufacture I. M. R. powder for nominal consideration of £1. On May 8 finance committee concurred and by resolution authorized you to offer Nobel Industries in London nonexclusive license for nominal consideration of £1. There have been no further action.

This offer of these important military powders to the Nobel Co. came about in the ordinary course of affairs under the 1920 agreement between the two companies, did it not?

Mr. A. Felix du Pont. I think so.

Senator Vandenberg. I suppose the man who would be most familiar with your foreign powder arrangements would be Colonel Taylor, would it not?

Mr. A. Felix du Pont. With our foreign powder arrangements? It was his business to sell in Europe and to get his orders from the home office.

Senator Vandenberg. And to keep you advised respecting the general situation?

Mr. A. Felix du Pont. Yes.

Dr. Sparre. Senator, I believe I know as much as anybody, if not more than anybody, about the foreign patent business.

Senator Vandenberg. I will be very glad to remember that, Dr. Sparre, as we proceed.

Mr. Casey. Senator, I believe I am perhaps more familiar with the details of this whole thing.

Senator Vandenberg. I am delighted that we have so much expert testimony available this morning. We certainly ought to be able to get all the facts.

Now, referring back to the fact that Colonel Taylor is representing you upon the Continent at this time, and having in mind the conference which you, Mr. Felix du Pont, are having in London with Nobel respecting the license for I. M. R. powder, I call your attention to one paragraph in Colonel Taylor's letter of June 9, 1923, which I do not as yet offer as an exhibit, but which I would be glad to have you refer to, being Colonel Taylor's letter of June 9, 1923, to Major Casey.

I read the second paragraph:

> There seems to be no doubt that military patents are included in our agreement with the English and that the only exceptions are in case of objections on the part of our Government or delay of 12 months on the part of the English to say whether or not they desire to acquire these patents.

For at least the first 3 years of the agreement your legal department offered all patents, including military patents, automatically to Nobel, did you not?

Mr. A. Felix du Pont. I am not quite sure, Mr. Senator, about the dates there, and I would like to be sure of that.

Senator Vandenberg. Let us proceed in the preliminary stages without attempting to define the dates, because it is nonessential. In the preliminary stages of your contract with Nobel, it was the opinion of your legal department that you were bound to give them the advantage of all this information, including military information, was it not?

Mr. A. Felix du Pont. There was a period during our agreement with I. C. I., or its predecessor, in which we did exchange military patents and agreements.

Senator Vandenberg. Precisely.

Mr. A. Felix du Pont. Always subject to the Government.

Mr. Casey. Senator Vandenberg——

Senator Vandenberg. Yes, sir, Mr. Casey.

Mr. Casey. I think it is in our own files that no proposition, even though the legal aspect might make it clear, that no proposition involving a military powder was to be even offered to I. C. I. or Nobel without first being submitted to military sales, and Government objection was always a bar to anything being offered.

Senator Vandenberg. And you never offered anything to which the Government objected?

Mr. Casey. No; in this particular case we were in a very awkward spot. When this proposition came up, I canvassed and found that the Ordnance Department of the Army objected.

Senator Vandenberg. Will you permit me to come into this thing with some consecutive attention to the exhibits, Major, and I will be more than happy to let you discuss them serially as we proceed. I am establishing for the moment simply the initial proposition.

Mr. Casey. Yes, sir.

Senator Vandenberg. That in these original stages of your connection with Nobel, the predecessor of I. C. I., your arrangement did include the exchange of military processes.

Mr. Casey. Yes, sir.

Mr. Lammot du Pont. Subject to governmental objection, however, Senator.

Senator Vandenberg. You mean, in no instance did you ever override governmental objection?

Mr. Casey. No.

Mr. Lammot du Pont. I think not.

Senator Vandenberg. All right, we will come to that in a moment. Now I want to read just one sentence from the next letter, dated June 26, 1923. I am reading from the fourth paragraph of Major Casey's letter to Colonel Taylor under date of June 26, 1923, the following:

> We learned some time back that the legal department automatically would refer patents to the Nobel Co. as a matter of routine.

This simply confirms the preliminary status.

Mr. Casey. Will you go on with the rest of the sentence, Senator?

Senator Vandenberg. I would be very happy to:

> We effectively stopped this practice by letters of Mr. A Felix du Pont, dated April 26, 1923, copies of which are attached, so we believe we will have no further trouble in this connection.

Is there anything else you want me to read?

Mr. Casey. No, I think that is enough.

Senator Vandenberg. Did any member of the smokeless powder department object to the licensing of the British on I. M. R. powders? Perhaps Major Casey could answer it better than anybody else.

Mr. Casey. I did.

Senator Vandenberg. You objected?

Mr. Casey. Yes, sir.

Senator Vandenberg. Did not Colonel Taylor object?

Mr. Casey. Yes.

Senator Vandenberg. Why was Colonel Taylor so concerned about the granting of this particular Nobel license?

Mr. Casey. Perhaps the reason was a little different from mine. He was afraid that if they got the license to make this powder, that he would then run into competition on exactly the same powder that we were trying to sell.

Senator VANDENBERG. Precisely.

Mr. CASEY. My objection was entirely different.

Senator VANDENBERG. Before we go to yourself, let us confirm Colonel Taylor's objection. I am referring to Colonel Taylor's letter dated July 12, 1923, addressed to Major Casey, from which I read the first paragraph, as follows [reading]:

> I wish to acknowledge receipt—

And so forth.

> I see that with regard to our company, you have succeeded in gaining our point and I feel sure that if the War Department understood what was going on, they would object to any concessions on our part.

What does he refer to when he says, "if the War Department understood what was going on"?

Mr. CASEY. The answer to that is this: The War Department was interested in seeing that the du Pont Co. kept facilities alive and the "know-how" for the manufacture of military propellants and explosives. The only way to do that at that time, with practically no Government orders, was by foreign sales. If the type of powder we were making was to be offered all over the world in direct competition with ours, one of the objectives of the War Department might be interferred with, that is, we might not be making the products, and that is all they were interested in. That is what is meant by that statement.

Senator VANDENBERG. Colonel Taylor's further reasoning, which probably should be submitted for the record, because it is very lucid, being contained in the original letter of June 9, 1929, which was the second letter which we had this morning. I think I will read from the second page, beginning 8 or 10 sentences from the top. Colonel Taylor is now discussing this proposed release of I. M. R. information to Nobel's:

> The British foreign-sales organization for military explosives consists entirely of a Mr. Smith, who lives at Vienna, and who is also charged with conducting the negotiations between the British and the Tchecoslovak Explosives, Ltd., and one of the members of their London office who handles correspondence on continental military sales. Before the war the British had an agreement with Rothweiler, handled all their sales, all their military business on the continent. The British kept out and I believe divided the profits with Rothweiler. The man in charge of Rothweiler sales on the continent was Herr Philip, at present managing director of the Nobel Dynamite of Vienna and holder of 16 percent of the sales in Czechoslovak Explosives, Ltd. He is the most experienced continental military salesman in the old German organization.

What is the "old German organization?"

Mr. CASEY. That I do not know.

Senator VANDENBERG (continuing with the letter):

> The Czechoslovak Explosives, Ltd., is a company in which the shares are held: 52 percent check; 16 percent Nobel British; 16 percent Herr Philip—

what nationality would that be?

Mr. CASEY. Which one?

Senator VANDENBERG. The third one here, Herr Philip.

Mr. CASEY. He is the man I just mentioned, is he not?

Senator VANDENBERG. Yes, sir.

Mr. Casey. I do not know his nationality.

Senator Vandenberg (reading):

> Sixteen percent Societe Centrale de Dynamite.

Is that French?

Mr. Casey. The name sounds like it. I am not familiar with all these foreign firms.

Senator Vandenberg (reading):

> This last factory has the monopoly of exportation, importation of explosives in Czechoslovakia and they are building a factory with the idea that it will be large enough to supply all the continent and take on to itself the old military explosive business formerly held by the Germans. This factory is largely under British control and the Mr. Smith above mentioned is the person to whom this control is handled. I believe it is the British intention that all continental military business shall go to this Czechoslovak Explosive, Ltd., who have in their territory continental Europe. I believe the British themselves will make no attempt to sell directly on the continent as they have not a personnel competent for this work and expect to have this thing handled entirely from Czechoslovakia. I also believe that due to the fact that the Balkan states are gradually changing nitroglycerine powders to nitrocellulose powders they are induced by the Czechoslovak Explosive, Ltd., to undertake the manufacture of nitrocellulose powder.
>
> Now why do the British want us to cede them the patents for I. M. R.? Either to show the Czechoslovaks how to make our powder or to manufacture powder under our patents to be sold by the Czechoslovak organization or to keep us out of Europe so as not to interfere with the development of the Czechoslovak Co. I believe this to be the key of the whole matter.

So that Colonel Taylor was seriously concerned over the possibility that the prospects of the I. M. R. powder formula might get into the hands of a Czechoslovakian company, run by "the most experienced continental military salesman in the old German organization" with a disadvantage to your company?

Mr. Casey. Yes, sir.

Senator Vandenberg. Do you know of any other reasons that Colonel Taylor might have had, or any other reasons which you might have had, for thinking that this would be an unfortunate arrangement?

Mr. Casey. Beyond the viewpoint of Taylor's as affecting sales in Europe, where he was giving quite considerable thought to this being an attempt to force us out of Europe, there was really a great deal of objection on the part of European manufacturers, in view of the reputation which du Pont had made during the war. He also naturally concurred in my objections.

Now my objections, it later on developed, did not hold very much weight in one respect, and that was as far as England was concerned, but I objected to giving anything out to which there was Government objection.

Here is the situation which developed——

Senator Vandenberg. The situation will develop as we proceed, and suppose you address your discussion to it as we proceed with the exhibits.

Mr. Casey. All right, Senator.

Senator Vandenberg. You were about to say, no doubt, that you had consulted the War and Navy Departments with regard to licensing the production of these powders.

Mr. Casey. Not the Navy Department. The War Department is the only one interested in small arms.

Senator VANDENBERG. You did consult the War Department. Who was Mr. Henning?

Mr. CASEY. He was technical director of military sales.

Senator VANDENBERG. I want to read from Mr. Henning's letter of June 21, 1923, without offering the letter as an exhibit, because there are some sections of it which it is not necessary to enter in the record.

I will read the first sentence, with some deletions. This is Mr. Henning, your assistant director of military sales, reporting upon his conference with the War Department in Washington (reading):

> 1. Discussed the following subjects with officers and representatives of the Ordnance Department.
>
> 1. Ordnance Department policy with respect to supplying information to British on du Pont I. M. R. powder.
>
> Talked this over briefly with Major Hardigg and Dr. C. G. Storm, simply setting forth the early history and more recent facts. In the absence of General Williams the subject was referred to General Peirce for decision, who called General Ruggles and Major Wilhelm in for conference. Major Hardigg and Wilhelm stated the case to General Peirce, it being their concensus of opinion that it was a subject of considerable importance, and in which the Bureau of Ordnance, Navy, was also interested. Following recent precedent, it was their suggestion that no information be given. This comes about partly by reason of the action of the British in refusing to give the Ordnance Department any information on subjects in which the British Navy is interested. * * * General Peirce first inquired carefully as to the use and status of du Pont I. M. R. powder as a service propellant.
>
> General Peirce stated that it was their policy to carefully consider giving us every assistance and encouragement for staying in the production of military explosives. Hence he did not want to handicap us in any development work that would aid us. It was the decision, however, that the Ordnance Department could not sanction our giving information to the British at this time, on our service propellent for ammunition intended for aircraft armament. General Peirce was of the opinion that Admiral McVey would take a more positive stand on this subject.
>
> As a matter of courtesy to the Bureau of Ordnance, I discussed the conference briefly with Commander Courts. As expected, the Bureau of Ordnance takes a more positive stand on this subject.

Now, simply to confirm the attitude of the Government——

Senator CLARK. Do I understand from this that you informed the Government that unless you were permitted to sell your secret processes to another government, that you were going out of the business?

Mr. CASEY. I do not see any indication of that whatsoever, Senator.

Senator VANDENBERG. I think this trends in a different direction, Senator, which will appear shortly.

Now, I want to confirm the attitude of the Government respecting the release of this new and secret military powder process to the British, or to any other foreign country.

Dr. SPARRE. Senator, pardon me, but it was not secret. I am sorry to interrupt you, but you have used the word " secret " so often that I have to call your attention to the fact that it was not secret. Pardon me if I may explain the situation at this point, because it is very important.

Senator VANDENBERG. Yes, sir.

Dr. SPARRE. During the war, that is, after the United States entered the war in 1917, and during the war period, we were under instructions from the administration to give to the allied countries all our information of any military value; as a matter of fact, everything which we possessed.

Senator Vandenberg. That is during the war?

Dr. Sparre. And we gave to the allied munitions departments, and so forth, everything that we had. For instance, I myself was sent abroad on a military commission appointed by the Chief of Ordnance. As a member of that commission I went, together with Army officers and others, and inspected British military factories, and we exchanged information with the British munitions department. At the conclusion of that visit I went to France and inspected all the French powder works, shell works, and so forth, and all the information which I collected was then transmitted to the Chief of Ordnance. The I. M. R. information was given to the allied governments. There is no secret about it. They got all our information under instructions from our own administration.

Senator Vandenberg. If they knew all about it, what is all this about?

Dr. Sparre. That is what I wanted to tell you. This appears like it was a secret thing, but there is no secret about it.

Mr. Irénée du Pont. They had a patent on it.

Dr. Sparre. There were some patents.

Senator Vandenberg. Do you mean to say the British could manufacture the I. M. R. powder without your consent?

Dr. Sparre. They had gotten blueprints of suitable plans, complete specifications, all information about the thing. The only thing which we had left would be such foreign patents as there might be, but they did not amount to much, did not amount to very much, because the patent situation was not as satisfactory in foreign countries as it was in our own country. I do not think that those patents were of any substantial value. But, in any event, there was no secret about it, the complete information was given.

Senator Vandenberg. Apparently the release of this privilege which involved a very serious question with respect to your relationships with Nobel also in your judgment involved your relationship with the United States Government in 1923.

Dr. Sparre. Surely.

Senator Vandenberg. So let us follow through and see to what extent our relationship is involved.

Dr. Sparre. Yes, but, Senator, please don't hold it secret information.

Senator Vandenberg. All right. I will use the exact language of our own War Department in describing the situation, and I will use it in the next exhibit, which is a letter of June 27, 1923, from W. S. Pierce, Acting Chief of Ordnance, to the military sales division of the du Pont Co. at Wilmington:

> It is the understanding of this office that you are in receipt of requests from foreign sources for detailed information concerning the technical process involved in the manufacture of your improved military rifle powders.
>
> In view of the fact that powders of this type are employed in certain standard service ammunition used not only by the United States Army but also by the Navy and Marine Corps, the Ordnance Department believes that the methods involved in manufacture should be regarded as confidential military information.

So at least the Chief of Ordnance of the United States Army thought there was something in connection with I. M. R. powder that you could protect if you wanted to.

Dr. Sparre. We have given all of the information to the Board.

Senator Vandenberg. All right. We are proceeding with the record, and there is an amazing lot of important attention being given to an inconsequential thing, if it is inconsequential, it seems to me. At any rate, let us continue to establish the facts.

I refer to the next exhibit. In this instance, it is of sufficient importance so that you even hear from the Navy in connection with it, which is unusual in your contacts, so that evidently from the viewpoint of our own Government, there was something of relative magnitude involved. rather than anything else. I read the next exhibit, which will be properly marked.

(The memorandum referred to was marked "Exhibit No. 936" and appears in full in the text.)

Senator Vandenberg (reading):

MEMORANDUM

To: Chief of Ordnance, War Department. Washington, D. C.

Subject: Agreement with the Du Pont Co. regarding improved military rifle powder.

The Bureau of Ordnance concurs in the belief of the Ordnance Department, expressed in its letter of June 27, 1923, to the Du Pont Co., that the technical processes and the methods of manufacture of improved military rifle powders should be regarded as confidential military information.

Chas. B. B. McVay, Jr.,
Chief of Bureau.

So as the matter stands up to date on the face of these exhibits, you gave the Nobel Co., did you not. the right to manufacture a powder which was the standard propellant in both branches of the United States service for almost all types of rifle and aircraft ammunition, and did so over the objections of both the War and Navy Departments?

Mr. Casey. Senator, you assured me a few moments ago that you would develop this thing gradually. At that time I tried to tell you the story. Now you are not developing it gradually if you make the statement at that point——

Senator Vandenberg. I do not want to prejudice it, Major. I am only seeking the facts.

Mr. Casey. I do not believe you do, Senator.

Senator Vandenberg. You mean which? That you do not think I am trying to prejudge it or trying to get the facts?

Mr. Casey. No; I want to give you the facts.

Senator Vandenberg. Now, let us see whether or not the exhibits will not permit you to develop the thing chronologically. It is only facts that I want, Major.

Mr. Casey. I appreciate that, Senator. By the way, Senator, in order to bring you up to date——

Senator Vandenberg. What do you mean by up to date?

Mr. Casey. By what is going to follow, may I give you the early history of the I. M. R. powder?

Senator Vandenberg. If you consider it pertinent.

Mr. Casey. I think it is.

Senator Vandenberg. All right.

Mr. Casey. I. M. R. powder was developed after about 10 or 15 years research, I would say, either in the latter part of 1913 or early in 1914. The first powder of that type that we made was to fit certain modifications that Admiral Bedbeder, who at that time was head of the Argentine Naval Mission in New York, wanted. He was considering certain charges in the Argentine Mauser rifle, and in order to give him what he required in direct competition with the German progressive rifle powder, this powder, as the result of 15 years experimental work, was found to be the only powder suitable for the purpose.

At about that time we had already started an erosion test—when I say we, I mean the Government and ourselves—to determine in connection with the high velocity 30–06 rifle, the different types of powder, and their relative erosive effect, and in that test they used cordite, exite, and I think the French powder, some Koln-Rottweiler, which was imported in this country by the Government. and called Chilworth, because it was bought through the Chilworth Co. in England. We had also some Argentine powder, and I think some Brazilian powder.

Those powders were being put through the test at Springfield Arsenal. In the meantime, after the tests had actually started, this I. M. R. powder came along, so even though the powder was not suitable to the Springfield rifle, being too slow burning, we requested the Government to allow that powder to also enter the test. As I say, it was not suited in the particular granulation to the Springfield rifle.

That is the early development. If it had not been for developing that powder, we would not have been able to fill the requirements for the British and Russian and certain other rifles. It was not needed for the French rifle. This was after the European war broke.

In the meantime, the Government, because of ballistic characteristics of the 30–06 cartridge, did not need that powder. It was not until after the United States had entered the war that they discovered for special ammunition, such as tracer and incendiary the regular pyro D.G. 30-caliber powder, which was the regular standard U.S. powder, could not be used, and I believe the Government throughout the entire period of the war only bought possibly in the neighborhood of 2 or 3 or 4 million pounds of this I.M.R. powder. That was the only place they used it.

In the meantime, the allied Governments, England and Russia, were both using it in tremendous quantities. That is the only type of rifle powder they bought from us. That was the situation at that time. As Dr. Sparre has just explained to you, we were required to give all of the information regarding the manufacture of this powder to the British.

Senator VANDENBURG. This is, during the war?

Mr. CASEY. This is, during the war. In the meantime, a plant was actually being built. You may remember that Mr. Irénée du Pont referred at a previous hearing to the fact that they discovered instead of importing raw material and making their own powder it was better to import the powder because of the tonnage factor. There was the situation when we came along after the war.

In the meantime, experimental work had been started in 1917 at the Bordenbrook Reservoir outside of Springfield to try and get a bullet and a combination of bullet and case that would give them a more effective ammunition. It was discovered that the tables in the blue book of the Springfield rifle giving an extreme range of 5,100 yards were simply paper figures; that the extreme range of the Springfield rifle was around 3,500 to 3,600 yards.

At the command of the commanding officer there I went up to assistant Major Wilhelm at the Reservoir, to help solve this problem. That was in connection with the boat-tail bullet which the Swiss had at Camp Perry in 1913 and which excited a great deal of comment among the competing teams during those matches.

So an attempt was made in the early time of Bordenbrook Reservoir to see if we could not develop a boat-tail bullet along the lines of the Swiss, because it was found that the Swiss bullet at that time, even fired in our own case, would outrange ours almost 2 to 1.

This work was intensely interesting, to such an extent that they then moved down to Florida to continue the work, and that work was then being continued along the beaches at Daytona and Miami and later on when the Infantry School at Benning was established the work continued there.

Even then at that time and for a couple of years after the war it was not still the service propellant. It was not until they found it possible to make a satisfactory boat-tail bullet in this country, that they found they were up against another obstacle. They were only buying this I. M. R. powder from us in small quantities, five or ten thousand pounds at a time, which means very expensive production. We also found that the Infantry Board which was continually in session at Camp Benning considered they would not be able to get the desired velocity they wanted, the reason being price, that they had the old pyro D. G. 30 caliber, which had cost them probably during the war, 50 or 60 cents a pound, and, of course, this powder was costing them 90 cents a pound. So I went to General Williams and I said:

> It seems to me a serious problem of design is being interfered with, because of an unnatural position on price.

Senator Vandenberg. What year was this?

Mr. Casey. This is in that period of 1921 and 1922.

Senator Vandenberg. Yes.

Mr. Casey. The Infantry school was formally opened in the fall of 1920, so that will give you an idea of when this occurred.

Senator Vandenberg. All right.

Mr. Casey. So I said to General Williams:

> We haven't the slightest idea on a peace-time production basis what this powder is apt to cost, but we believe if you will give us an order for 100,000 pounds, to let us make a run, we will take a chance and sell it to you for 70 cents a pound.

That changed the picture. The result was that it was then adopted, around 1921 or 1922, in connection with the boat-tail bullet. But in the meantime Russia and England knew all about it. They had bought millions and millions of pounds of it for their service cartridges during the war.

Now, that will bring you approximately up to date.

Senator Vandenberg. All right. Now, why did Mr. Henning go to the War Department in June 1923 to inquire whether the American Government had any objections to your arrangement with Nobel?

Mr. CASEY. To tell you perfectly frankly, Senator, because I objected.

Senator VANDENBERG. And I assume that when he made this inquiry from the War Department it was on the theory that if the War Department said it did object——

Mr. CASEY. That we would not have to turn it over.

Senator VANDENBERG. That you would observe the War Department's viewpoint?

Mr. CASEY. Yes.

Senator VANDENBERG. Did your company observe the War Department's viewpoint?

Mr. CASEY. Now, if you will go ahead you will find out what happened.

Senator VANDENBERG. I am going ahead, but, as a matter of fact, it did not observe the War Department's viewpoint; isn't that so?

Mr. CASEY. You are asking me to go ahead. Now, let us move ahead, Senator.

Senator VANDENBERG. I think that is a fair observation. We will move ahead together.

Mr. CASEY. All right.

Senator VANDENBERG. Now, we are in this position, before we move ahead, so let us start at the same point. Your representative has been to the War Department to find out whether the American Government has any objection to your licensing Nobel in respect to I. M. R. powder. The War Department has not only notified your Mr. Henning, and he has reported to you their objections, but in addition, you have the written word of the Acting Chief of Ordnance of the United States and you have the written word of Admiral McVay, Chief of Bureau of the Navy Department, that there is emphatic objection on the part of the United States Government to this arrangement.

Mr. CASEY. Right.

Senator VANDENBERG. That is the point at which we now take up the trail.

Mr. CASEY. At that point; yes.

Senator VANDENBERG. This decision by the War Department evidently confirms Colonel Taylor's prophecy of July 12, 1923, when he wrote you from Paris, as I have previously read:

> I see that with regard to our company you have succeeded in gaining our point, and I feel sure that if the War Department understood what was going on, they would object to any concessions on our part.

Mr. CASEY. I think I have already answered that, Senator.

Senator VANDENBERG. Yes. And evidently the War Department did understand what was going on.

Mr. CASEY. Yes; I think we told them pretty thoroughly.

Senator VANDENBERG. You told them, and then they told you something.

Mr. CASEY. Naturally.

Senator VANDENBERG. Did this feeling of apprehension with regard to exchanges of technical information with Nobel continue?

Mr. CASEY. If you let me anticipate the same as you are doing, all right, we will just move along then. This is the only case that ever came up.

Senator **Vandenberg**. Well, we will take the exhibit. We will take Major Casey's letter addressed to Mr. Felix du Pont, general manager, on April 14, 1924. I read at the moment only the fifth paragraph, in which Major Casey is recommending:

> That no agreement be made with Nobel whereby we will refrain from endeavoring to sell military products in any foreign country.

Mr. **Casey**. Which paragraph is that?

Senator **Vandenberg**. It is marked "number 4."

Mr. **Casey**. I thought you said 5, Senator.

Senator **Vandenberg**. It is the fifth paragraph, but it is numbered 4.

Mr. **Casey**. Yes.

Senator **Vandenberg**. Now, on the second page we find your reasons, Major Casey, and I will read those.

Mr. **Casey**. Senator, wouldn't it be probably advisable to really read the whole thing?

Senator **Vandenberg**. I will be very glad to, if you desire. You mean the entire letter?

Mr. **Casey**. Yes.

Senator **Vandenberg**. All right. This is Major Casey writing to General Manager Felix du Pont under date of April 14, 1924, on the subject of military sales in foreign countries [reading]:

> After having made a very careful analysis of all the data in our files on the Nobel agreement, and a thorough study of competition which we have experienced in foreign countries, particularly in Europe during the past 3 years, I feel that it is in order for me to present to you my recommendations, to which I hope you will give due consideration in discussing military business with Nobel officials. My recommendations are as follows:
>
> 1. That military propellants and explosives be specifically exempted from the patents and secret-process agreement in the same way as in the case of the South American pool agreement.
> 2. That the temporary arrangement regarding Argentine and other South American military business be terminated as of July 1, 1924.
> 3. That the arrangement for joint construction of plants in foreign countries for military material be discontinued.
> 4. That no agreement be made with Nobel whereby we will refrain from endeavoring to sell military products in any foreign country.
> 5. That no agreements be entered into with any manufacturer for the exchange of information on military propellants or explosives.
> 6. That no information be exchanged concerning prices of military propellants or explosives and that no division of profits be made on military business.

I might interrupt to say that I think these are fairly sensible recommendations, Major.

Mr. **Casey**. Well, they were made, anyway.

Senator **Vandenberg** (reading):

> My reasons for making the above recommendations are as follows:
>
> Our competitors in Europe on military business are German, Italian, and French interests, the most successful competitors being the Germans. If we were to refrain from soliciting military business abroad, we would leave the field free for a German, French, and Italian monopoly, because Great Britain's position in European politics is such that an English concern would find it very difficult to secure business. It is very doubtful as to whether Nobel could hold the customers which we have gotten to date among the European nations. Our success in securing business is mainly due to the fact that we are an American concern whose products enjoy an excellent reputation. In Europe, the prestige of the name du Pont was established through our military-powder manufacture during the late war, and it is only natural that we are looked upon as a source of supply, particularly by European states which do not manufacture their own requirements.

Now, I want to emphasize the next two paragraphs, which are the ones I started to read and which are pertinent to my line of inquiry [reading]:

> We cannot act in good faith with our Government if we contract to exchange information on military propellants with a foreign concern. Both the Army and Navy have indicated that they are desirous of keeping secret development work which we may do for them. If we were to agree to exchange information with any foreign firm and at the same time accept help in selling powder abroad from our own Army and Navy, we would create a condition which would at some time or other bring discredit upon us.
>
> It is probable that in the next few years Congress will fully investigate all war contracts and particularly the construction of Old Hickory. Such an investigation will bring about the scrutiny of our military sales in general. If Congress were to ascertain that the Army and Navy both helped du Pont in securing military business from abroad and if it could be shown that the du Pont Co. had a working agreement with a foreign powder manufacturer, the conclusion could be drawn that the du Pont Co. was acting in bad faith with our own Government. Congress would have an opporunity to brand us as traitors.
>
> We have been successful in securing military business in foreign countries without a price-fixing agreement with any of our competitors. We have frequently been able to secure business although our quotations were higher than competitors. This was probable due to the fact that the customer decided to develop a source of military supply in America and our prestige and reputation enabled us to get the business. Even with unfavorable foreign-exchange rates we are competing with foreign concerns on newly made powder. When the exchange rates improve we will undoubtedly be placed in a more favorable position. Therefore, in competing for foreign business, success will come to the firm which can make the best product and which enjoys the best reputation. The neutrality of America in European politics, and America as an abundant supply of raw materials are factors which enable an American concern to secure foreign military business.

Now, referring back to the two middle paragraphs on this second page, it is the expression of your opinion that it would not be an act of good faith for you to accept cooperation from the Government of the United States in the promotion of your sales; and you have had that cooperation, have you not, very generously?

Mr. CASEY. Yes.

Senator VANDENBERG. It was your opinion that you could not be in that contact with the Government and at the same time be permitting the foreign use of your military processes?

Mr. CASEY. No; that is a fine point there, Senator. Don't think that I am quibbling. It is not a question of permitting manufacture, but a question of exchanging information.

Senator BARBOUR. What would be the nature of the information? Wouldn't it be the matter of processes?

Mr. CASEY. Yes.

Senator VANDENBERG. That is the point.

Mr. CASEY. Because we will come to that question of manufacture later.

Senator VANDENBERG. Yes, we are coming to that. It is summed up in your sentence:

> If Congress were to ascertain that the Army and Navy both helped du Pont in securing military business from abroad, and if it could be shown that du Pont Co. had a working agreement with a foreign powder manufacturer, the conclusion could be drawn that the du Pont Co. was acting in bad faith with our own Government.

That sums up your feeling on the matter?

Mr. CASEY. Yes.

Senator **Vandenberg**. Was this recommendation put into effect?

Mr. **Casey**. This recommendation was submitted to my chief. I believe this recommendation had a great deal to do with the modification of the agreement which took place and was eventually signed on January 1, 1926.

Senator **Vandenberg**. Now, this memorandum——

Mr. **Casey**. Not completely, however.

Senator **Vandenberg**. This memorandum is dated April 14, 1924.

Mr. **Casey**. Yes.

Senator **Vandenberg**. You did make an agreement, did you not, in London, in November 1925, 18 months later, an agreement to cooperate on military sales—I mean your company made it—in spite of your recommendations and in spite of the opposition of the military sales division?

Mr. **Casey**. We made some sort of an agreement. I think that discussion finally resulted in the agreement of 1926, did it not?

Senator **Vandenberg**. The agreement of November 1925?

Mr. **Casey**. Well, that was not a signed agreement, was it? Is it not a memorandum of discussion?

Mr. **Raushenbush**. You operated under it, didn't you?

Mr. **Casey**. Yes; without waiting for the signatures.

Senator **Vandenberg**. It was an operating memorandum.

Mr. **Casey**. Yes.

Senator **Vandenberg**. Let me read from this memorandum. This is a memorandum 18 months later. It may be offered as an exhibit and marked.

(The memorandum referred to was marked " Exhibit No. 937 " and is included in the appendix on p. 2584.)

Senator **Vandenberg** (reading):

> Attached hereto is memorandum on " du Pont-Nobel Corporation, Sales of Military Propellant Powders and Explosives ", which is the present agreement between the du Pont Co. and the Nobel interests concerning military sales to governments other than the United States and Great Britain.
>
> A brief summary on how it came into being is timely. For some years past an accord has existed regarding foreign sales of commercial explosives, but all documents covering this accord specifically excepted military sales, as for example, that of January 1, 1920.
>
> This was largely due to the fact that du Pont felt that any accord on military sales would tend to disturb their relations with the United States Government, which relations had been carefully cultivated for over a century.

Which is a reexpression of that same general policy of the du Pont Co.?

Mr. **Casey**. Yes.

Senator **Vandenberg** (reading):

> How Nobel felt in this regard is not known to us, but probably the Cordite factories at Waltham Abbey, Holton Heath, and Auruvankadu (India) occupy a relatively larger place in the British propellant supply than do the American equivalents, so that the relations of Nobel with the British Government are possibly not as intimate as du Pont's with the United States Government.

It is your observation that that is a fair assessment of the relative relations between du Pont's and the United States Government and Nobel's and the Government of Great Britain?

Mr. **Casey**. At least it was at that time.

Senator VANDENBERG. Continuing the reading:

> The military sales division of the du Pont Co. is charged with sales to and contact with the United States War and Navy Departments, and our constant acquaintance with the officials of these Departments gives the members of the military sales division a knowledge of opinion in Washington that is never written and seldom spoken. It is the unanimous belief of the military sales division that any agreement on military sales with an alien firm will materially hurt our relations with the United States Government, if indeed such agreement will not eventually conflict with Article XIV (d) Ordnance Contract——

What is the ordnance contract?

Mr. CASEY. I think that is a paragraph in ordnance contracts.

Senator VANDENBERG. I quote from the paragraph in the ordnance contract. [Reading:]

> No contractor having in hand work of a military character which the Ordnance Department may designate as confidential shall permit any foreign officer or other foreigner not in the contractor's employ to visit portions of the plant where such work is in process, nor shall the contractor give to such person any specific information concerning such work without the authority of the Chief of Ordnance, nor shall any alien in the contractor's employ be engaged on or permitted to examine such parts of the work as the Ordnance Department may specifically designate as confidential.

That is the end of the quotation from the contract. [Reading:]

> Notwithstanding this belief, an agreement to cooperate with Nobel on military sales was signed in London in November 1925, whereby du Pont was given priority of sales on nitrocellulose powders and Nobel given priority on TNT and nitroglycerin powders.

Now, the statement is that notwithstanding this belief an agreement was made. I assume it is a fair interpretation to say that the document itself thus confesses that the agreement is in hostility to the belief.

Mr. CASEY. To my belief.

Senator VANDENBERG. Yes; and was it your belief that it was also in hostility to the du Pont formula for dealing with the Government of the United States?

Mr. CASEY. No; I don't think so. Perhaps at this time I was trying to stress my point and I was bringing every bit of pressure I possibly could, even perhaps to the extent of slight exaggeration. I would say exaggeration, perhaps, in the language.

Senator VANDENBERG. Let us proceed with this exhibit. I drop down to the final paragraph on page 2, the same page from which I was reading:

> The following has developed: On the 1,000-ton Polish order, Nobel's quota would have been 300 tons, but the Polish Government declined to split the order and, in general, it may be assumed that this attitude will be followed by other governments.

Before I speak of that in detail, this general agreement did finally obligate you to guarantee to Nobel 300 tons of nitrocellulose powder business on the continent every year, didn't it?

Mr. CASEY. It did not obligate us.

Senator VANDENBERG. What was the point?

Mr. CASEY. The point was this: That I. C. I., Nobel, or E. T. L., whatever the name was at that time, stated that they wanted to keep alive that know-how to manufacture the nitrocellulose powder which they had been working on during the war to a certain extent.

Therefore, they said that they would like to have a certain amount of business each year, but not in excess of 300 tons, as that was the limit of their capacity, and all they wanted to do was to keep alive the " know-how ", without expanding their plant. Therefore, it provided for not in excess of 300 tons.

Senator VANDENBERG. You operated under this agreement for a number of years after this, did you not?

Mr. CASEY. Yes.

Senator VANDENBERG. In 1927 Colonel Taylor wrote you——

Mr. CASEY. Senator, will you pardon me?

Senator VANDENBERG. Yes.

Mr. CASEY. Would you mind reading all of the first paragraph on page 3, the first paragraph at the top of the page beginning "At a meeting held in London."

Senator VANDENBERG. I will read anything you want read [reading]:

> At a meeting held in London on October 11, 1927, it was stated by a Nobel representative that Ardeer must have orders for nitrocellulose powders in order to gain experience and keep the plant force employed, which indicates that the difficulties still exist in perfecting a nitrocellulose powder and producing it at a cost sufficiently low to compete with other firms.

Do you want me to read some more?

Mr. CASEY. No, I think if I can look at the date of this document, it was certainly after 1927, I think that will have some relation later on.

Senator VANDENBERG. Perhaps we are coming to it, Major.

Mr. CASEY. You notice, Senator, though, that even in 1927 they were still having difficulties in making powder of that type.

Senator VANDENBERG. Yes; I realize that.

Mr. CASEY. It was some time after 1927.

Senator VANDENBERG. In 1927, on November 16, Colonel Taylor wrote you from Paris concerning certain difficulties which the normal functioning of the agreement had brought about.

Now, I want to read from this letter, from page 3. It is a very lengthy letter, and the entire letter will be marked as an exhibit.

(The letter referred to was marked " Exhibit No. 938 ", and is included in the appendix on p. 2585.)

Senator VANDENBERG. On page 3, starting with paragraph 17, Colonel Taylor, your European representative, writing to Mr. Casey says:

> However, it is now very easy to project one's self into the future and foresee that certain military difficulties are about to arise. These difficulties are about to develop in specific cases:
>
> The first case is the question of Poland. We are looking forward to considerable business from Poland, and hoping that it will come in the form of additional quantities to the present contract, which if it takes place, would obligate us under the agreement, to endeavor to pass a certain quantity of this contract to Nobel, specifically 300 tons of powder. It is evident to me, however, that without our assistance, Nobel cannot manufacture in accordance with the specifications and we will either have to show Nobel how to manufacture this powder by sending men to Ardeer, or he will have to take Nobel's men to America to work them in on this matter.

Are we now discussing the powder on which the War Department objected to your releasing information?

Mr. Casey. Not entirely, because a good deal of the powder was cannon powder of the regular straight nitrocellulose type.

Senator Vandenberg. Is there some of the powder in the type we are now discussing, of the type on which the War Department objected to your releasing information?

Mr. Casey. Yes, I think it was; some I.M.R.

Senator Vandenberg. Some was I.M.R.?

Mr. Casey. Yes.

Senator Vandenberg (reading):

> The second case is the question in Belgium where, for every commercial reason, it would appear reasonable to place the business expected from the Fabrique Nationale on Nobel's, and where Nobel is about to undertake studies to meet the requirements. In this case, unless I give Nobel's the results of the studies made by us for the Fabrique Nationale, and give them certain assistance, which knowledge I have acquired through efforts of the du Pont Co., they will have trouble in meeting these requirements.
>
> Thirdly, in the question of powder for the 13.2 mm Hotchkiss machine gun, the question comes up why should they not furnish powder to Kynoch, if they can make it, as Kynoch is their own factory, and here again, in order to enable Ardeer to make this powder, we will eventually have to give them some assistance.

So, it would appear that, in order to fullfil your quota obligations to Nobel, you would be forced to give them information to enable them to manufacture a number of different types of powder, would it not?

Mr. Casey. That is what Taylor thought, looking into the future was, perhaps, apt to happen.

Senator Vandenberg. Yes; and that included, in whatever degree it involved them, it included these powders which the War Department had put their prohibition?

Mr. Casey. Yes.

Senator Vandenberg. This is in 1927?

Mr. Casey. Yes; in 1927.

Senator Vandenberg. Now, did the 1927 contract with Poland for 1,000 tons go through?

Mr. Casey. Yes; and du Pont filled it all.

Senator Vandenberg. Did you promise to show Nobel how to make the powder which Poland required under this contract so that they could fill their quota under the agreement?

Mr. Casey. We did not.

Now, Senator Vandenberg, would you mind letting me now go back to fill in the gap?

Senator Vandenberg. Just a minute, on this particular point. I want to refer to the next letter which will be marked as an exhibit.

(The letter referred to was marked "Exhibit No. 939", and is included in the appendix on page 2589.)

Senator Vandenberg. This is a letter to Colonel Taylor from W. H. O'Gorman, assistant director. Was he your assistant, Major?

Mr. Casey. Right.

Senator Vandenberg. He was assistant director to Major Casey, which letter is dated January 10, 1928, and I want to refer to the second page, the paragraph marked with the numeral 4. [Reading:]

> We do not intend to furnish technical information to Nobel on any rifle or cannon powder which we have in the past made up or may make up for

> European governments. The sole exception to this is in the case of Poland where we have promised, and are willing to show the Nobel representative the manufacture of rifle and cannon powder on the Polish contract.

Does that change your answer to my question as to whether you made a promise to release this information?

Mr. CASEY. We did not.

Senator VANDENBERG. Now, this information that you promised to release to the Nobel representative in the case of Poland, did that involve this I. M. R. powder in any degree?

Mr. CASEY. But, we made no promise to release it to Nobel.

Senator VANDENBERG. What does this mean when you say [reading]:

> The sole exception to this is in the case of Poland where we have promised and are willing to show the Nobel representative the manufacture of rifle and cannon powder on the Polish contract?

Mr. CASEY. That may be in the letter, but we still want to fill in that gap, Senator. Otherwise, this paragraph does not stand out as it should. If you will permit me, I would like to tell you the story.

Senator VANDENBERG. All right; then we will come back to this paragraph.

Mr. CASEY. After this Government's objection, previously referred to, of 1923, our position became ridiculous to such an extent that our people accused Henning and myself of deliberately trying to block the proposition, which was simply this: Nobel had the information on the manufacture of this powder which was given to all British manufacturers at that time during the war, but if Nobel made any of that powder they would be promptly running up against our patents, which would possibly lead to a lawsuit. The final result of all this was that Mr. Felix du Pont and myself went down to General Williams, and explained to him that, really, what Nobel wanted, and all we expected to give them was a non-exclusive license, so that they could make powder in England, which would absolve them from the danger of a lawsuit on our part because of a violation of our patent. While they had all the knowledge as to making it, they had never been licensed to make that powder.

Now, the fact also remains that no further information was given to Nobel's on any improvements we made on I. M. R. powder, other than they had in the original developments as they existed during the war. Therefore, when you read this paragraph, if Nobel's had been able to supply to Poland a certain portion of the contract, if Poland were willing, and Poland wanted to supply the type of powder which was manufactured during the war, which England and Russia could, and when you say Russia you must include the Poles as part of Russia, they knew what the Russian powder was—then we might assist them in making the type of powder that they were making, or trying to make during the war, but on no further development. I think that clears the picture a little differently. It makes the set-up appear a little different.

Senator VANDENBERG. It makes it appear a little different, yet the thing I am trying to discover, and which, I confess, leaves me in some perplexity is this: Back in 1923 you were asking the War Department of the United States whether it had any objection to this relationship with Nobel's in respect to I. M. R. powder.

Mr. Casey. Right.

Senator Vandenberg. Obviously because there must be some information involved which is wanted abroad as a result of your release. You are consistently proceeding on the theory that you want to do everything the War Department asks you to do.

Mr. Casey. Right.

Senator Vandenberg. The War Department asks you, and the Navy Department asks you not to proceed with your arrangement.

Mr. Casey. That is right.

Senator Vandenberg. And you do proceed with the arrangement in spite of those objections. In a conference which you yourselves sought with the governmental authorities as late as 1928, you are asserting your willingness to continue to violate this request from the War Department in some degree in respect to this Polish order, it seems to me. Am I mistaken about that?

Mr. Casey. Do you think that is really a fair statement, Senator? I know from my contact with you that you want to be absolutely fair.

Senator Vandenberg. I think you are correct about that.

Mr. Casey. Now, I have just tried to indicate to you that here was something they had complete information on. They have that to the extent, not only of the information we gave them, but that our own Ordnance Department people gave them.

Senator Vandenberg. Didn't they have that before you sent Henning up to the War Department to find out if the War Department had objection to this?

Mr. Casey. Who?

Senator Vandenberg. Henning.

Mr. Casey. Yes; they did.

Senator Vandenberg. Why did you send Henning over to the War Department?

Mr. Casey. I wanted to block it.

Senator Vandenberg. You agreed with the War Department's viewpoint?

Mr. Casey. I wanted to prevent any further improvements reaching Nobel's. They had the type of powder existing during the war, and I wanted to prevent any further improvements, improvements had to be made in that powder, reaching them. What they would have gotten would not have been the I. M. R. powder we supplied to the United States.

Senator Vandenberg. Now, let us both be perfectly fair and frank about this. Is it not a fact that the relations of the du Pont Co. with Nobel's did violate in spirit, if not in letter, the regulations of the War and Navy Departments as asserted to you in 1923 in connection with your relations with Nobel's?

Mr. Casey. I do not think so, Senator, and I am trying to be frank about it, too, because when Mr. Felix du Pont and myself explained to General Williams that it was simply a question of authorizing legally their right to make the powder which they already had information on. That is as far as the matter went, and General Williams said they did have the information, I know it—General Williams talking said, "I know they have the information."

We said this is simply a question of legally giving them the right without danger of a lawsuit, to make something the information on which they already have. To this day, I do not believe Nobel's has ever been able to make that powder. So that shows we have not helped them.

Mr. LAMMOT DU PONT. Senator, I think that Major Casey has missed your point, and for that reason has not cleared up your mind on it.

Senator VANDENBERG. No; he has not cleared up my mind.

Mr. LAMMOT DU PONT. The United States Government did not object to the relations between du Pont and Nobel, or between du Pont and I. C. I. They objected to the giving of information on that powder.

Senator VANDENBERG. That is my understanding, and it is also my understanding that you did give information in spite of the objection.

Mr. CASEY. No; no information, Senator.

Senator VANDENBERG. What did you give?

Mr. CASEY. The right to manufacture.

Senator VANDENBERG. Wasn't it the right to manufacture which, necessarily, involved the information that the War Department and the Navy Department were telling you to keep confidential?

Mr. CASEY. This was information that Nobel already had.

Senator GEORGE. Do you mean, Major Casey, that you were agreeing to license a developed process, developed during the war, that they already had, isn't that your meaning?

Mr. CASEY. Exactly.

Mr. A. FELIX DU PONT. The conversations with the War Department that Major Casey mentioned occurred quite a while ago, and I want to say that I remember very distinctly the conversation that we had with General Williams, in which General Williams said:

> It is all right for you to give them the right to manufacture that powder, which they knew how to make during the war.

Senator VANDENBERG. Is there anything in writing which you have ever received from the Bureau of Ordnance, or the Chief of the Bureau of the Navy Department, which mentions in any way the memorandum of June 27, 1923?

Mr. CASEY. Which one is that?

Senator VANDENBERG. That is the memorandum in which the chief of the War Department says:

> In view of the fact that powders of this type are employed in certain standard service ammunition used not only by the United States Army but by the Navy and Marine Corps, the Ordnance Department believes that the methods involved in the manufacture should be regarded as confidential military information.

Mr. CASEY. And so they were.

Senator VANDENBERG. Has that ever been mentioned in any way in writing?

Mr. CASEY. It did not have to be, because we gave them no information over what they originally had. Therefore we absolutely lived up to the request of the Chief of the Bureau of Ordnance and Chief of Ordnance of the Army. We gave them no information.

Senator VANDENBERG. What kind of I. M. R. powder was it that you were going to permit Nobel to manufacture and sell to Poland in 1928, many years later? Is that the old stuff?

Mr. Casey. The old stuff.

Senator Vandenberg. Without any of the new developments later?

Mr. Casey. No.

Senator Vandenberg. Now, let us consider the flashless nonhygroscopic powder. A large portion of the powder furnished on this Polish contract was this F.N.H. type, which you developed for the War Department?

Mr. Casey. A large part?

Senator Vandenberg. Yes.

Mr. Casey. I do not think we supplied any.

Senator Vandenberg. You do not think there is any F.N.H. powder that has been involved in these foreign sales?

Mr. Casey. No. When you talk about F. N. H., and when our powder began to be known around the world. We were approached by I.C.I. for the know-how. Our answer was obvious. There is a little situation that always comes up, and that is this, it might be that the United States ordnance, either Army or Navy might want to use that. So, therefore, we simply said to I.C.I., if you want this information, you put in your request through the military attaché and the British Embassy. They will in turn deliver it through channels down to the Ordnance Department, and if the Ordnance Department is agreeable and we are agreeable to this, we will transmit the information back through the Ordnance Department.

Now, the reason that I make that statement is this: It is a common practice among governments if one country has certain information, they will use that to trade with another nation for something of military importance that they may have, and so we wanted to find out in such cases whether or not this was of any use to the United States Government to assist them in getting any further information.

Senator Vandenberg. In connection with the Polish order, the reason it failed was because the Polish Government refused to complete the order in the fashion suggested, was it not?

Mr. Casey. That was one reason, yet we anticipated that in the beginning, because if I wanted du Pont powder I would say, "I want du Pont to make it and not somebody else."

I have here, and I do not know whether it is complete or not, a list of patents on I.M.R. powder. One is dated, without going into the serial number, July 29, 1916. That is the year it was filed.

Another was British application June 9, 1917, and another August 17, 1916. British application, June 9, 1917. Another, August 17, 1916, and British application June 9, 1917. Another July 14, 1916, and British application June 9, 1917.

All of these patents except no. 1313459—all of those except the last had been given to the British during the war. All information in connection with it is covered by those patents, and the right to use them on account of the war.

Now, it was simply legalizing the right to operate under those patents. That is involved in this whole proposition.

Now, as to the number of patents since that time, I do not know how many there are, but I.C.I. has no information, and there is no intent on our part to give that information. Further than that, when we got these instructions from the Chief of the Bureau of Ordnance, and the Chief of Ordnance of the Army, we lived up to them and gave them no further information than on the basis of the first patent, what they already had.

Senator VANDENBERG. Anything subsequently sold is the old stuff?

Mr. CASEY. What?

Senator VANDENBERG. Anything subsequently sold is the old stuff, sold under this arrangement?

Mr. CASEY. Yes; but to my knowledge they have never sold a pound. They have not been able to make it.

Senator VANDENBERG. We will proceed.

Mr. LAMMOT DU PONT. Senator, before you proceed, you asked a while ago whether there was any modification of the War Department's position.

Senator VANDENBERG. Yes.

Mr. LAMMOT DU PONT. On the memorandum of 1923, I have here a memorandum which indicates that there was a modification, and I would like to read it.

Senator VANDENBERG. I think you should read it.

Mr. LAMMOT DU PONT. I think it is part of the chronology. This is a letter from Mr. Henning of April 29, 1924, which is, of course, Mr. Henning's version of what we agreed to. I will just read one extract, and then, if you would like to, you can have the whole communication on it. [Reading:]

> Even before seeing our letter, General Ruggles had dictated an endorsement relating to the military attaché's cable, stating that it was vastly more important to encourage du Pont in the manufacture of propellants for military use, than to endeavor to protect secrets relating to the manufacture.

This is referring to I.M.R. powder.

Senator VANDENBERG. I am glad you read it. I think I am coming to something of that same character, Mr. du Pont.

Mr. CASEY. Before we quit these patents, may I say that these patents have lapsed.

Senator VANDENBERG. I refer now to Mr. O'Gorman's letter of March 10, 1928, to Colonel Taylor, in which the close cooperation on military products is reaffirmed.

(The letter referred to was marked "Exhibit No. 940", and is included in the appendix on page 2590.)

Senator VANDENBERG. I want to read this letter addressed to Colonel Taylor, signed by Mr. O'Gorman, who is Major Casey's assistant.

Senator GEORGE. What is the date of that letter?

Senator VANDENBERG. March 10, 1928. The title of it is "Conference with Nobel Officials." [Reading:]

> 1. On March 9 a conference took place between Nobel and du Pont officials on matters appertaining to sales of military products of both companies. We have not as yet been furnished with a copy of the minutes of the conference, but the following as reported by Major Casey is a summary of recommendations:
>
> (*a*) A 10-year agreement between Nobel and du Pont covering military sales in Europe be entered into as more or less of a continuation of the 1925 agreement.
>
> (*b*) It was explained to Nobel that our Paris office is not in a position to furnish technical information, and therefore all technical problems should be referred to Wilmington. We offered Nobel our facilities at Brandywine Labora-

tory for the development of nitrocellulose rifle powders for British Army cartridges. We suggested that Brandywine would welcome visits of Nobel technical men, and we would undertake to develop nitrocellulose rifle powders to fulfill the British requirements, provided Nobel would furnish us with guns and components to be used in ballistic tests. The development would then be turned over to Nobel and, if necessary, we would send a man to Ardeer to assist in the manufacture of nitrocellulose rifle powder for the British Government. All technical information passed on to Nobel would be on the basis of Nobel agreeing to consider same as confidential, and under no condition divulge it to subsidiary or other companies in which Nobel may have part ownership or some other interest.

To what extent would that involve the release of what we might term "military secrets"?

Mr. Casey. None whatsoever. One of the powders which had the greatest sale was I.M.R. 18, which was developed during the war for the British cartridge. As I have stated before, Nobel had never been able to make a satisfactory copy of that powder, although they had all the information. They were trying to induce the British Government to drop the use of cordite with its highly corrosive qualities, and use a progressive burning powder, which they felt they could make. This whole proposition here is that we felt we could assist them in making the old powder that was made during the war, I.M.R.–18, because it was ideally suited to the British cartridge, and there had been no change in the British cartridge, it was the old 303 mark 7.

Senator Barbour. Major, I am wondering if that assistance which you speak of is not the fulfillment of a promise that I remember being mentioned in one of the other letters.

Mr. Casey. You mean about help?

Senator Barbour. About help.

Mr. Casey. In regard to information which they already had?

Senator Barbour. Yes. I think there has been a little confusion in our minds in regard to a promise which was made, which appeared in connection with your arrangements with the Department and a nonfulfillment of it.

Mr. Casey. Yes, sir.

Mr. Irénée du Pont. Mr. Chairman——

Senator Vandenberg. Yes, Mr. du Pont.

Mr. Irénée du Pont. I would like to ask if you have taken from the files the original copy of the patents, which it seems to me is the most important part of this controversy. I do not know what it contains.

Senator Vandenberg. If it is available, it might be entered, but it is so technical that it seems to me that the interpretation of the situation made by your own officials is thoroughly competent.

Mr. Irénée du Pont. It seems to me that the first-hand testimony of the actual contract ought to be the thing which governs, rather than somebody's interpretation.

Senator Vandenberg. Let it be entered at any time you want to furnish it as an exhibit. Nevertheless, I disagree with you that these particular exhibits are not thoroughly pertinent and competent and material.

This conference in 1928 was a conference relating to the sale of military products, was it not?

Mr. Casey. Right.

Senator VANDENBERG. And it is renewing a thoroughly intimate and close relationship, a sort of a reciprocal cooperation, between you and Nobel, is it not?

Mr. CASEY. No. This is a suggestion to renew a selling arrangement. The 1925 agreement did not include patents or secret processes. They had been specifically excluded.

Senator VANDENBERG. You are suggesting the visit of Nobel's technical man and complete hospitality in the matter and everything.

Mr. CASEY. As I just explained this, they had still not been able to manufacture the same powder on which they had information during the war, which was developed for the British cartridge at that time, and they were trying to get the British Government to adopt a nitrocellulose powder instead of cordite. To date, they have not succeeded.

Senator GEORGE. Then Major Casey, we are to infer, or to understand, that they did not take advantage of this suggestion or offer? They did not send their technical experts?

Mr. CASEY. They did, but you have got to take into consideration the typical British viewpoint. They sent over two men. One was an old long-range rifle shot, with whom I had been acquainted a number of years, F. W. Jones, and the other man was a doctor from Scotland by the name of Stickland. Those men came over and here is as far as they got: The very minute we began discussing the powder which we made for the British Government, their first attitude was, " You do not know how to make it." That is as far as we got. Every bit of the talk we had with them after that they tried to show us we were " all wet ", the answer being that if we were, they would now be able to produce the powder, and when they were given the opportunity during the war period to see how the powder was made, they would not have anything to do with it, and they did not know anything about making the powder. I was at the Ardeer plant in 1925, and I saw them with German machinery which they had gotten from the German plants right after the war—I think there was a general distribution of it—I saw them trying to make German powder, and likewise on some of the German equipment they were trying to make our powder, and when they tried to make powder on a guillotine press, like a paper press, I could understand how they would not be able to make our type of powder, unless they changed. You cannot change the British nature.

Senator VANDENBERG. You have a great deal more technical knowledge about the manufacture of powder than most of the countries to which you sell, have you not?

Mr. CASEY. I would not say that, no; but I think we have had more practical experience. You know that technical knowledge is one thing and application is another thing. Two experts may have equal technical knowledge but the actual " know-how " or operation as to the question of distinction between them is bad.

Senator VANDENBERG. This technical capacity, let us say, which you possess, becomes——

Mr. CASEY. Technical and operating capacity.

Senator VANDENBERG. Technical and operating capacity which you possess becomes of considerable sales use, does it not, in the course of your foreign contacts?

Mr. CASEY. If we did not have it, we could not sell.

Senator Vandenberg. Precisely.

Mr. Casey. Senator, I would say that in selling to a foreign country we have repeatedly run up against this situation: In spite of the fact they say " the powder is good, but not as good as we can make ", this being the foreign country, and " we like it ", then they start in to tell you that you are making it the wrong way. You always run up against that situation. The fact of the matter is: In the case of one country, to whom we never sold, they had a term in their own specifications which really meant unless you were able to get the water from the Danube River you could not fulfill the specification—and we did not have a pipe line. That country was Rumania. After the war the same representatives who were here during the war came over, and the net result of that was—after being told that we still did not know how to make powder and they did not want our powder—they wanted their own—yet on actual test their own did not show up as well as ours—and the net result of the proposition was an expense account for furnishing lemonade on all occasions to the representatives—and it was lemonade.

Senator Vandenberg. As a statement of your company's policy with respect to the use of technical and operating capacity in sales promotion, let me read into the record the final two paragraphs of the letter of W. H. O'Gorman, who was Major Casey's assistant director, addressed to Colonel Taylor in Paris on December 12, 1927, which I will offer for appropriate number.

(The letter referred to was marked " Exhibit No. 941 " and is included in the appendix on p. 2591.)

Senator Clark. That reads:

> The matter of furnishing technical assistance to foreign governments or foreign plants is one which comes up quite often. In general, our policy is not to answer the question until we have some indication as to whether the giving of technical assistance will result in a large order or orders. If it is necessary to answer the question as to the giving of technical assistance before any information can be had as to whether the foreign government will agree to give us a percentage of its powder requirements over a period of years, we think our position should be as follows:
>
> The du Pont Co. will furnish technical assistance on powder manufacture, providing we can be guaranteed orders for a definite quantity of powder per annum over a period of 10 years. Of course, our decision will be based upon the quantity of powder which we will be permitted to manufacture for the customer over the specified period.

Is that a fair statement of the attitude of the company?

Mr. Casey. Yes, sir; but, Senator, before you leave that, realize this: O'Gorman is writing to our own man, Colonel Taylor, and while it is not expressed here, as I have stated repeatedly, we do not have to explain policies to our own people every minute. It stands without any further comment that that is also predicated upon Government permission and approval.

EUROPEAN COUNTRIES AIM FOR INDEPENDENCE IN POWDER SUPPLY

Senator Vandenberg. This whole phase is further discussed in considerable more detail in Colonel Taylor's letter to Major Casey under date of March 3, 1930, which will be marked appropriately.

(The letter referred to was marked " Exhibit No. 942 " and appears in full in the text.)

Senator VANDENBERG. I am now approaching another phase of the matter, which is of exceeding interest to me. I read:

> In the European countries where the joint sales of du Pont and Imperial Chemical Industries material are conducted by the Paris office, our prospects are limited to getting a few orders based on mobilization plans which we have stimulated.

May I interrupt to inquire in how many different countries du Pont and I. C. I. conduct joint sales?

Mr. CASEY. At this time we were handling sales practically for both companies. We did not think they knew how to sell.

The CHAIRMAN. That was in 1930?

Mr. CASEY. That was in 1930.

Senator VANDENBERG. To what extent? You mean all over the world?

Mr. CASEY. No, no; this was Europe we were talking about.

Senator VANDENBERG. All over Europe?

Mr. CASEY. Yes, sir; including Turkey, I believe, and Persia.

Senator VANDENBERG (reading):

> In the European countries where the joint sales of du Pont and Imperial Chemical Industries material are conducted by the Paris office, our prospects are limited to getting a few orders based on mobilization plans which we have stimulated.

What does that mean? How do they stimulate mobilization plans?

Mr. CASEY. You do not stimulate the plans. I believe this was brought out in the previous hearing: Every nation has a mobilization plan. The trouble with nearly all these nations was that they were trying to fulfill the program called for by the mobilization plan but did not have the money with which to do it. Further than that, in the different branches requiring material, each one would try to get priority for his particular kind of equipment. In other words, there might be a certain amount of money available in that country for mobilization. The quartermaster would come along and say, "Yes; I must have this for canteens." They might want escort wagons, they might want trucks, tractors, or something of that sort. The Ordnance Department might want guns, they might want powder, they might want small arms, so that there was continually a fight in every country as to who was going to get the right to spend the amount of money available on their mobilization scheme. That is what they were referring to here.

Senator VANDENBERG. Let me read the next sentence [reading]:

> We have such prospects in Poland, Holland, Finland, Esthonia, Latvia.

In other words, in Poland, Holland, Finland, Esthonia, and Latvia you had prospects for getting a few orders based on——

Mr. CASEY. Mobilization plans.

Senator VANDENBERG. Which you had stimulated.

Mr. CASEY. We have not stimulated the plan. We were trying to stimulate them to buy the powder on their mobilization program.

Senator VANDENBERG. They have the program and you are trying to stimulate them to get powder to carry out the program.

Mr. CASEY. To get our powder, which would be natural. You must realize also, Senator, if they buy guns and no ammunition, the guns are no use.

Senator VANDENBERG. Certainly not as deadly.

Mr. Casey. If they buy powder and do not buy the ammunition at the same time, or the components making up the ammunition, the powder is of no use. In every case, they have got to keep a balanced program. If they decide to buy guns, it generally means, if they use all the money for guns, they probably have to wait until the next year to buy ammunition. There is a time element in there. It may be that the guns take longer to produce than their ammunition, 2 or 3 years, and they say, "We will order the guns this year and the next year or the second year following we will have the ammunition for the guns."

Senator Vandenberg. Wherever they have a mobilization plan as a matter of business procedure you see if you can sell the stuff?

Mr. Casey. We try to secure some of it for our material.

Senator Vandenberg. You try to turn that from a paper plan into an actual plan, wherever you find this situation existing?

Mr. Casey. I would not say that. We try to get our part of the money which they have available. Senator, to say that we can influence a foreign government as to its policy, I think it is self-evident that such a thing is impossible. They have a policy and we have nothing to do with their policy, nor could we in any way possibly have. They would not take us into their confidence.

The fact of the matter is, I might add, that at the previous hearing I stated when we first started or attempted foreign sales, which, with two exceptions before the war, was not begun until after the war, we found we were like children in the wilderness, and the first contract which we had was from an extremely friendly country to this country, and where they had actually started their purchasing in this country through a purchasing commission on Fortieth Street in New York City, and it was several years afterward before we finally got a contract.

Now, Colonel Taylor, who, when this thing started, was not in military service, when he began going around to the different governments, the door was shut in his face. It was not until they began to realize that he would not leave that he was able to get by the outer door. The foreigners will come to this country and be surprised as to how easily they can get in to see people. Over there you cannot. They may keep you waiting in an anteroom for days, and when they finally let you get into the inside, you are ready to say, at least, "They are now ready to consider us as a possible source of supply."

If the members of this committee think that this is a matter of just going some place and selling munitions, and that we have something to say and they jump at it, they are very much mistaken.

Senator Vandenberg. The committee has no such idea.

Mr. Casey. If you would like to have first-hand information, I would like to put you on the job.

Senator Vandenberg. From my observation of the methods employed, I would prefer to stay in the Senate.

Mr. Casey. I will say this: I do not know what you get as a Senator, but you are certainly better off.

Senator Vandenberg. (reading):

> We have such prospects in Poland, Holland, Finland, Esthonia, Latvia,

and based on your stimulation of their own mobilization plan?

Mr. Casey. That is true.

Senator Vandenberg. They set up the plan and then your salesmen proceed to tell them that their plan is no good so long as it is just a plan on paper?

Mr. Casey. No. On their mobilization plan—we have never seen an actual plan in any country—they have plans for powder, guns, ammunition, high explosives, and we say, "Why not buy some from us?"

Senator Vandenberg. What good is it on paper?

Mr. Casey. What good is it on paper?

Senator Vandenberg. If they have a gun and no powder, what good is it?

Mr. Casey. To make an ornament for some city.

Senator Vandenberg. I will continue reading that letter [reading "Exhibit No. 942"]:

> We may get one order from each of these countries, and there may be no more. The current business is gradually being well taken care of by local factories.
>
> However, the current production of the local factories is not entirely satisfactory. They are calling for help, and it might appear that the best chance we have of getting orders in the future would be to help them in their powder-factory plans.
>
> It is the ambition of every European country to build a local factory, or to improve the quality of their production, where factories already exist. The production, in existing factories, of a poor quality at high costs has not discouraged in the least the ambition of the country operating the factory, nor caused any hesitation on the part of other countries not owning factories in considering the erection of a factory of their own.
>
> The intention of each country is to produce in their local factory the type of powder that the government adopts as standard, or to adopt as standard the type of powder they can produce.
>
> In the territory directed by Imperial Chemical Industries, they have decided that their chances of business are so small that their only profit can be found in conjunction with assistance given to local factories.
>
> They are now negotiating various factory schemes in Bulgaria, Rumania, Turkey, and Yugoslavia.
>
> In the case of the powder factory in Turkey, Imperial Chemical Industries have definitely arranged with Koln-Rottweil, Gute-Hoffnungs-Hutte, and Golzern-Grimma to supply the technical assistance.
>
> The Germans have been discussing for a long time with the Turks regarding the erection of a factory, and Imperial Chemical Industries decided that in order to get the job they would have to take the Germans in, which they did without consulting us, although they keep us informed at all times of what is going on.

What does he mean by taking the Germans in? Have you any idea?

Mr. Casey. I am not sure that my memory is very good on it, but I think that they had talked of taking in the Germans in the erection of a powder mill in another country.

Senator Vandenberg. Does that mean a German investment or does that mean the purchase of material in Germany?

Mr. Casey. No; it meant a German investment.

Senator Vandenberg. I read:

> It is believed that in our territory we should give consideration to this matter for the following reasons:
>
> (*a*) We have been approached several times by each of our customers to assist them in building a factory or in improving their present production.
>
> (*b*) When it becomes known that Bulgaria, Rumania, Turkey, and Yugoslavia are being assisted by Imperial Chemical Industries and the Germans in

the production of a military powder, other countries will become more enthusiastic about production in their own country.

(*c*) If we continue to turn a deaf ear to our customers' requests for assistance in their predominant ambition, they will seek assistance either from Germany or from Bofors.

(*d*) Two existing government factories in Europe, 1 in Turkey and 1 in Finland, produce the German type of powder.

(*e*) The German type of powder is entirely satisfactory in Europe, and fulfills present-day requirements.

(*f*) The du Pont type of powder is not produced by any local government factory in Europe.

(*g*) It would be a great asset if the du Pont type of powder would be adopted as standard in some of the European countries, and produced there.

(*h*) In order to adopt du Pont powder as a standard type, the interested country must be able to produce it.

We recommend that:

(*a*) The Paris office be authorized to negotiate the sale of " know how " for the production of such du Pont rifle and cannon powder granulations as customers may adopt as standard.

(*b*) Definite proposals be submitted to Poland for F.N.H. powder and pyro-cannon powder, and to Holland for cannon and rifle powders.

Very truly yours,

William N. Taylor.

Now, if this analysis of the European situation is correct, it would appear that no European country intends to remain dependent upon a foreign country for its powder supply, if it can possibly help it. That is a fair interpretation, is it?

Mr. Casey. Right.

Senator Vandenberg. So that this means that you face the predicament of the ultimate disappearance of your European market, whenever they achieve powder independence of their own, does it not?

Mr. Casey. Right.

Senator Vandenberg. You apparently recognized this fact in 1925, as long ago as 1925, and I am very much interested in the memorandum of a meeting held at Nobel House on November 9, 1925, which is offered for appropriate number.

(The memorandum referred to was marked " Exhibit No. 943 " and is included in the appendix on p. 2592.)

Senator Clark. I read from this memorandum:

> President: Mr. Irénée du Pont, Maj. K. K. V. Casey, Col. W. N. Taylor, Mr. A. G. Major.
>
> The discussion evidenced that the du Pont representatives accept our theory that eventually: (1) European countries will be self-supplying and/or (2) draw their supplies from countries more logically situated (geographically) than the U.S.A. and that jointly du Pont and ourselves should adopt the policy of affording technical assistance to European countries wishing to erect factories in return for a fee and the guarantee of powder orders to us during the erection period.

So that as early as 1925 you quite generally recognized the fact that your European market would dry up with respect to American sales?

Mr. Casey. Yes, sir.

Senator Vandenberg. And that therefore apparently the only progressive outlet for the time being was through cooperation in the creation of these independent producing units in their various foreign countries, and you would get as much out of it incidentally by way of temporary orders and fees as you could?

Mr. Casey. As a matter of interest, Senator, nothing ever came of any of it.

Senator VANDENBERG. None of these plans have ever succeeded?

Mr. CASEY. Not a bit. In connection with this letter of Colonel Taylor's of March 3, 1930, you may not have drawn the reply from my files. On account of my voice, I would like to have somebody else read this. This is the reply from O'Gorman, which is in reply to letter T-1862. Will somebody else read it?

Senator VANDENBERG. Will you read it, Mr. Raushenbush?

This is a complete confirmation, is it not?

Mr. CASEY. Of his general idea.

Senator VANDENBERG. Of his general idea. Perhaps it will suffice if we enter it in the record at this time, without taking the time to read it, unless you want to have it read.

Mr. CASEY. I do not think there is any need.

Senator VANDENBERG. All right, let it be entered.

(The letter referred to was marked "Exhibit No. 944", and is included in the appendix on p. 2593.)

Mr. CASEY. In connection with all these European factories we are beginning to talk about around this period, I would like to read an extract from a letter of Colonel Taylor's dated September 5, 1932.

Senator VANDENBERG. Yes, sir.

Mr. CASEY. He says:

> The result was that in 1925 all the projects for building local factories were pushed and a great many new ones developed. The net result of the threat of this convention was, I am told, that over 300 building projects were considered before January, 1926.
>
> A great number of projects which might otherwise have died have succeeded in becoming realities.
>
> Such as in Finland, Latvia, Zagadore * * * also some 40 factories in Poland for other materials, 6 in Yugoslavia including powder plant, rebuilding of powder factory in Roumania, 4 factories built in Turkey, and an attempt to start a series of factories in Greece, reconstruction of arsenals in Spain, government assistance to powder factory of Minden in Holland, and the decision by Italy that the Italian army would only buy from Italian factories.

That is the result of the Geneva Conference in 1925.

In referring to the date of January, 1926, I think that date is important when you realize when the convention was held.

Senator VANDENBERG. Mr. Chairman, I think I can conclude on this matter in about 15 minutes.

Referring now to this method of procedure of sales, I call attention to the Polish proposal made some time subsequent to 1924, and I call attention to the next exhibit, which will be given an appropriate number, which is cable No. 184.

(The cablegram referred to was marked "Exhibit No. 945", and appears in full in the text.)

Senator VANDENBERG. This is a cable from Mr. A. Felix du Pont, on April 25, 1924, and reads:

> Cable No. 184.
>
> Negotiations with Poland powder plant proposition requires instructions in manufacture flake I.M.R. powder. Ask Chief of Ordnance, Army, for permission in writing to give these instructions and telegraph result.

Is that the I.M.R. powder that was described in the previous testimony?

Mr. Casey. No; flake powder was a type of powder we made on a few occasions similar to the powder made by the German company Köln-Rottweiler, but made in a different way because we have not their equipment.

Senator Vandenberg. It has no relation to the I.M.R. powder that the War Department declined to let you release?

Mr. Casey. No more relation than our I.M.R. powder had to earlier forms of progressive-burning powders in Europe.

Senator Vandenberg. I do not know what that is. Your answer is there is no relation here?

Mr. Casey. I do not want to make a flat statement that there is no relation, because all progressive-burning rifle powders work on one principle; that is, a deterrent on the outside of the powder to move the pressure curve down the barrel rather than have it at the breech. That is the principle of a progressive-burning rifle powder.

Senator Vandenberg. The answer is in the next exhibit, which will be marked.

(The document referred to was marked "Exhibit No. 946", and appears in full in the text.)

Senator Vandenberg. It is a cable to Mr. A. Felix du Pont on April 29, 1924:

[Felix Cable No. 97]

Refer to your telegram no. 184, have letter in hand from Chief of Ordnance authorizing us to assist and instruct Poland in manufacture of flake rifle powder and other military powders are mailing to you today copy of letter.

In other words, the Chief of Ordnance authorizes you to assist in the construction of this powder factory in Poland?

Mr. Casey. Yes.

Senator Vandenberg. And to use your flake I.M.R. powder processes in that connection?

Mr. Casey. Yes.

Senator Vandenberg. And the alloy of our own War Department in this same connection is emphasized in this same transaction, not only by the authority given you by the Chief of Ordnance but also by a sentence which I will read from the next exhibit, which is C. I. B. Henning's report under date of April 29, 1924, from Washington.

(The report referred to was marked "Exhibit No. 947", and is included in the appendix on p. 2593.)

Senator Vandenberg. In which he says:

The flake rifle powder situation was emphasized, and apparent contradictions were cleared up.

Perhaps these contradictions were the same things that confused me regarding I. M. R. powder [reading]:

Even before seeing our letter, General Ruggles had dictated an endorsement, relating to the military attaché's cable, stating that it was vastly more important to encourage the du Pont Co. to continue in the manufacure of propellants for military use, than to endeavor to protect secrets relating to the manufacture.

Who was General Ruggles at this time?

Mr. Casey. Assistant Chief of Ordnance.

Senator Vandenberg. This is the same General Ruggles who later was a United States delegate to the Geneva Conference in 1925?

Mr. CASEY. Yes.

Senator VANDENBERG. General Ruggles is quoted as asserting the policy of the United States Government that it is vastly more important to encourage the du Pont Co. to continue in the manufacture of propellants for military use than to endeavor to protect secrets relating to the manufacture. And the personification of this opinion is the fact that they at the moment permitted you to make this arrangement with Poland.

Mr. CASEY. To try to make.

Senator VANDENBERG. To try to make this arrangement with Poland.

Mr. CASEY. There is an awful difference there, Senator.

Senator VANDENBERG. I suppose there is. I found that out by the cross-examination.

Mr. IRÉNÉE DU PONT. You asked some time ago whether the prohibition on the giving of the secrets of the I. M. R. powder had ever been reversed in writing. At that time it was a rather unsatisfactory answer. I think this does answer that the letter was written.

Senator VANDENBERG. But this refers to I. M. R. flake powder.

Mr. IRÉNÉE DU PONT. Yes; and other military powders.

Senator VANDENBERG. Do you think that includes I. M. R. flake?

Mr. IRÉNÉE DU PONT. I do not know. This includes the manufacture of flake rifle powder and other military powders.

Senator VANDENBERG. Do you read that as a reversal of the attitude?

Mr. IRÉNÉE DU PONT. It sounds like it. I know nothing about it, but I just wanted to call your attention to it.

Mr. CASEY. Senator, I think I can explain why General Ruggles took that position. We made an arrangement with General Williams, as Chief of Ordnance, in 1919, and it was based on this: I had just heard the rumor in Wilmington that the directors of the company were considering going out of the powder business. They had a great many reasons why. There was the Government with the two finest powder plants in the world, Old Hickory and Nitro. There were tremendous stocks of powder left over from the war. It did not seem feasible, nor possible, that there would be any further occasion, for some years to come at least, for us to be in the powder business. When I heard that I simply said to General Williams, " This is what is being talked of ", and that started a letter from General Williams, which resulted in an agreement of September 25. Now, I think you will find—Mr. Raushenbush, you pulled all that.

Mr. RAUSHENBUSH. Yes; we have all that.

Mr. CASEY. You have all that?

Mr. RAUSHENBUSH. Yes.

Mr. CASEY. I believe those letters should be read into the record at this time.

Mr. RAUSHENBUSH. At the proper time they will be.

Mr. CASEY. Then, if they will be put in the record, let me just give you an idea of what it means. General Williams said he thought it would be a serious blow to the national defense if the du Pont Co., with its vast reservoir of technical information and know-how, were to lose interest in the production of military propellants particularly, and likewise the possible effect it might have on the national defense in time of emergency.

At that time, as the result of experiences during the war, the result of the report of the Westervelt Board, there were something like two hundred and seventy-five odd problems to be solved in connection with military propellants and explosives.

As a result of that we said, "Well, we will try it. We will continue going." At the same time General Williams said he, however, could not promise to give us any business, but he hoped we would stick by the crowd. The fact of the matter remains that we did not get any business from the Government, and then only in very small quantities, for several years to come.

I think a little prior to this date of 1924, or it may have been at the same time or slightly after, I know there was a newspaper article that said something about du Pont going out of the powder business, and Irénée du Pont received a letter from General Williams hoping that that rumor was incorrect and asking him if we would still not continue in the game.

Now, from our own viewpoint in the entire smokeless powder department, we never knew at any time, in spite of this arrangement whereby they would see the proposition probably so far in the future, but what we might all be out of jobs.

So you can readily see, in view of the fact that improvements in material of this type are taking place daily, that they considered it was more important to keep us in the game, because if you gave information under such an arrangement as suggested here this year, the whole thing might be radically changed by something that took place in the course of the next year.

Senator VANDENBERG. So we find ourselves in this position: The instrumentalities of defense are constantly improving from day to day.

Mr. CASEY. Yes.

Senator VANDENBERG. And as rapidly as we make improvements over here, these improvements presumably giving us an advantage in our defense, we are in the anomolous position of being forced to let the other fellows have the advantages which we had obtained for ourselves, in order to keep our munitions manufacturers going, so that we can take advantage of the same progressive steps?

Mr. CASEY. Well, I don't know. I think that is stating it a little crudely.

Senator VANDENBERG. I think it is worse than crude. If you can state it any plainer, I wish you would. But you get my idea.

Mr. IRÉNÉE DU PONT. Isn't that true, Senator, in practically every technical manufacturing process? Take the automobile manufacturers, when they bring out new ideas, they are passed on to the other fellows.

Senator VANDENBERG. Yes; but there is a vast difference there. I suppose the automobile is a dangerous weapon under some circumstances, but there is no analogy, as I view the situation—and I do not mean to enter any personal opinions in this testimony, but you have raised the point—I don't think there is any analogy between private cars, in the normal sense, and the munitions trade, because the making of private cars involves only a commercial aspect, whereas the munitions trade involves the life, and the trade of the country indirectly, and the physical life and death of its people. So you cannot consider them in parallels. It seems to me we now have the amazing proposition that as an abstract proposition when the United States perfects a new advantage in the art of self-defense, we must sooner or later impart that knowledge to all the rest of the nations of the earth, which must include our potential enemies against whom we are attempting to set up our defense in prospect. We must impart this advantageous information to our potential enemies, or our private munitions manufacturers in the United States will be unable to continue to arm us with this advantageous thing. It seems to me that that is the proposition which we confront.

The CHAIRMAN. Doesn't it come to this in just a word: That we must arm the world under this practice, so that we can have the capacity to take care of ourselves in an emergency, when and if the world decides to use our devices against us? I don't think there is a more thorough argument against the private manufacturer of munitions than that one to which you have just directed yourself, Senator.

Mr. CASEY. Senator Nye, a military secret is a secret for only about 2 years.

The CHAIRMAN. Less than that very often, is it not?

Mr. CASEY. No; I am saying a government secret like you talk about is a secret for only about 2 years, because just as soon as tests are made it does not take long for the thing to drift around.

The CHAIRMAN. How do you account for the drifting around?

Mr. CASEY. Does not our Government maintain and every other foreign government maintain military and naval attachés?

The CHAIRMAN. Yes.

Mr. CASEY. What is their job?

The CHAIRMAN. You think that that is their job?

Mr. CASEY. I ask you the question, what is their job?

The CHAIRMAN. I do not know. What is their job?

Mr. CASEY. To get information.

The CHAIRMAN. You think they are the ones who get the information and convey it back home?

Mr. CASEY. That has nothing whatsover to do with private manufacture.

Senator VANDENBERG. I had a number of other exhibits which I was going to introduce bearing upon your negotiations with the Dutch Government and with the Belgian Government, in each instance simply typifying this same general situation which we apparently now confront, namely, that in return for technical assistance in establishing their own munitions institutions, if you are given interim orders that are adequate, you are perfectly willing to set them up in business.

Mr. CASEY. Don't say we are.

Senator VANDENBERG. Who shall I say is willing to set them up in business?

Mr. CASEY. Say the Government is willing to have us do it, provided we get production. The Government has absolutely no interest——

Senator VANDENBERG. Exactly.

Mr. CASEY. In our building a plant in a foreign country.

Senator VANDENBERG. I understand. I am simply coming to this conclusion: If this thing then is carried to its ultimate conclusion and your prophecies are correct, it is only a matter of a short time when you will have, assuming that the system works as you expect it to work, when you will have or somebody else will have assisted all of these foreign countries to become self-dependent in respect to these supplies and you will be out of the export business.

Mr. CASEY. There is no doubt of that last part.

Senator VANDENBERG. That is the ultimate result of the forces that are at work, if they work as you contemplated they would work.

Mr. CASEY. Let me remind you, Senator, there, that it is self-evident from these reports of Taylor's, that what they wanted assistance on was in reality on improving their own type of powder. France took enormous quantities of our powder during the war, but they have never made, as far as I know, a bit of that powder since. They still believe in their own type of powder. That will apply throughout Europe. The fact remains, as stated, that there is not one nation in Europe making the du Pont type of powder, even though they were given the information to make certain types of powder during the war.

Senator VANDENBERG. But the thing I am trying abstractly to establish is that the American export business in powder, if not already at an end, will be at an end just as soon as this self-sustaining manufacturing activity has been concluded in the other countries.

Mr. CASEY. I think so.

Senator VANDENBERG. And it is the policy of your company now to contribute to the making of these countries self-sustaining?

Mr. CASEY. No.

Senator VANDENBERG. Oh, yes. You are perfectly willing to give them technical assistance in establishing their own factories, so long as you have the interim orders for powder.

Mr. CASEY. I don't think that is quite a fair statement.

Senator VANDENBERG. I want it to be fair. What is the statement?

Mr. CASEY. Here is the summary of the situation, put up by Taylor, the way the future looks to him. He has shown that the Geneva Conference of 1925 resulted in this tremendous expansion in all Europe, where they all began to realize if that did not take effect then ultimately it would be at the place where every nation would have to be self-supporting, as far as plants were concerned.

There is this distinction, however, that certain nations, in spite of the fact they have their own plants, would still be dependent on imports to operate those plants. For instance, how many nations of the world produce cotton? And cotton is the very backbone of powder. How many nations would have to import fuel, whether it is in the form of coal or oil? How many nations would have to import toluol for the manufacture of TNT?

That is why in a great many cases this race for putting up their own plants went into effect as the result of the Geneva Conference. In a great many cases in these nations a powder plant was the last thing in the world they would want, because when they actually needed material in time of war they would be up aganist the same problem that England faced in the World War, the question of tonnage. It is better to use every bit of tonnage you have to import something you can use rather than to use from 9 to 15 times that tonnage in order to then have a net result of 1 ton.

Senator VANDENBERG. I think we are through for this morning.

The CHAIRMAN. The committee will be in recess until 1:30.

(At 12:15 p.m. the committee recessed to 1:30 p.m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 1:30 p.m.)

TESTIMONY OF K. K. V. CASEY, IRÉNÉE DU PONT, LAMMOT DU PONT, W. R. SWINT, A. FELIX DU PONT, AND DR. FIN SPARRE—Resumed

EXCHANGE OF TECHNICAL INFORMATION BY MUNITIONS COMPANIES

The CHAIRMAN. The committee will be in order.

Mr. CASEY. Senator Nye——

The CHAIRMAN. Just a moment, please. The committee is having to announce that by reason of the illness of Senator Clark it is not going to be possible for the committee to go on with the intended program of this afternoon. Except for a little finishing up on the case that Senator Vandenberg had in hand this morning and such statements as the Chair understands witnesses wish to make, the committee will recess until Monday very early this afternoon.

Senator VANDENBERG. Major Casey, just one further exhibit. In respect to this question of the interchange of information, and whether or not it involves military processes, I show you a letter from C. A. Woodbury, director. Who is Mr. Woodbury?

Mr. CASEY. He is chemical director of the explosives department, of which I know very little.

(The letter referred to was marked "Exhibit No. 948", and is included in the appendix on p. 2594.)

Senator VANDENBERG. This is Director Woodbury writing under date of November 10, 1933, to Mr. W. R. Swint, director, foreign relations department, and dealing, as it states, with du Pont I.C.I. patents and processes agreement. I read:

> In answer to the questions contained in your letter of November 2:
>
> 1. We have received no valuable assistance from I.C.I. on new products or new processes, but have had valuable assistance along the line of improvements in existing processes in two instances: (*a*) In the process for refining TNT and (*b*) the complete process for manufacturing tetryl.

Are not TNT and tetryl military instrumentalities?

Mr. CASEY. Partly so, but tetryl has a tremendous use in peace time in blasting caps.

Senator VANDENBERG. How about TNT?

Mr. CASEY. That is also used in the manufacture of Cordeau Bickford and likewise used in certain commercial explosives.

Senator VANDENBERG. It is primarily a war explosive, is it?

Mr. CASEY. Not in the sense used here, because the question of war explosives is a question of melting point. In other words, you may have a TNT with a very low melting point which will have no use whatever for military purposes. I am talking now, understand, on something that is really out of my bailiwick. I think somebody else ought to handle this proposition.

Senator VANDENBERG. I am not sure but what I am doing the same thing, Major.

Mr. CASEY. I might make statements which are absolutely incorrect. All I was giving you was just my own understanding.

Senator VANDENBERG. I was struck as I read this with the impression that this would indicate an exchange either of information directly relating to military propellants——

Mr. CASEY. Not propellants. High explosives.

Senator VANDEBERG. Explosives, or, at least, to explosives that have had a major military purpose and use. Am I wrong about that?

Mr. CASEY. Wouldn't it be better to have somebody else answer that?

Mr. SWINT. I am the man to whom this communication was addressed.

Senator VANDENBERG. You were sworn yesterday?

Mr. SWINT. Yes.

Senator VANDENBERG. What is the answer to that question, then?

Mr. SWINT. The answer is no. While these explosives are used in military explosives, in peace time they are not used for military purposes and they have a very large use in ordinary industrial explosives.

Senator VANDENBERG. What explosives are exclusively military? Any?

Mr. SWINT. I suppose some of the military propellants would not have any use in industrial explosives or as industrial explosives.

Senator VANDENBERG. Would it be fair to say that an exchange of information regarding nonmilitary explosives in peace time would exchange information which would become of value in war time? Is that a fair statement?

Mr. SWINT. That is a fair statement to the same extent that exchanging information on all other commodities applies.

Mr. VANDENBERG. I understand, but whether the analogy is justified is a matter of argument, and we will not argue it. I am simply asking the general question: The exchange of information regarding explosives that are peace-time explosives in peace time, could be of value, could it not, in war time?

Mr. SWINT. Yes; with that same qualification.

Senator VANDENBERG. Now, Dr. Sparre, you said this morning in the recess that there was some comment you wanted to offer supplementary to your testimony this morning.

Dr. SPARRE. Yes.

Senator VANDENBERG. We would be very glad to have you say what you wanted to say.

Dr. SPARRE. Just a few comments to supplement Major Casey's statements in regard to I. M. R. especially.

I think the first idea in regard to that type of powder came up in 1905, but no use was made of it. It was an incomplete invention, if you call it that.

We obtained information from Germany in 1908 and 1909 in regard to their types of improved military powder, namely, the flake powder which Major Casey referred to. That information we received and we paid for it, and we gave no information to the Germans. We inspected their factory, but we gave them no information, because they were not interested in the standard types of military powder which we manufactured.

During the war when I went over with the military mission, there had already preceded me to England the Mr. Henning referred to in the testimony heretofore, who was our ballistics engineer, as well as a man very well versed in all branches of military powder manufacture. The officials of the British Munitions Commission complimented Mr. Henning very highly for the complete cooperation he gave them, at the orders of the American Chief of Ordnance. When I came over there they mentioned it to me. He was nominally my subordinate at that time.

There had already preceded me over there Mr. Jackson, a construction engineer, and the orders from the Chief of Ordnance were to construct plants in accordance with our practice. I gave some information as well. Therefore, they had complete information, both from a construction standpoint, a ballistics standpoint, and everything else, in regard to the manufacture of our I.M.R. powder and the state of the art at that time. The only thing which they had not at that time were the licenses under patents, but during the war time we did not pay any attention to patent rights. But there was absolutely no military information given to the British or French or anybody else that I know of except under orders from the American administration.

Now, I visited foreign powder factories several times during the years I have been with the company. I have never given any military information to anybody that I know of. I never heard of anybody giving any military information. I just do not see how such a statement can be made. I have been with du Pont for 31 years and never heard of it. I was in charge of the Central Laboratory for the du Pont Co. for many years. I have been for many years in their development department. It is a mystery to me how the statement can be made.

Of course, this is an art which very few people understand. This art is not taught in colleges or universities. You have got to be in the industry to understand it. There is a considerable overlapping of military explosives and commercial explosives, as far as the fundamentals are concerned. By that I mean, that is largely as far as economics are concerned.

Now, when you mention TNT, the valuable information there of which we now talk about is whether we can cut the cost of manufacture a quarter of a cent a pound, or something of that sort. When we come to the military use of TNT, you require a very high degree of purity in order to be acceptable to the military authorities. I do not know that we ever exchanged information on that type of TNT, but only on the type which is used in commercial explosives, which is of lower degree purity.

Of course, during the war I saw the manufacture in both France and England of the military type of TNT, and we got complete knowledge of their manufacture of TNT during the war, and I dare say they got our information, too; but, as a matter of fact, we got the TNT information from the British and the French. We did not manufacture TNT until we got the information from the British and the Germans before the war. It was an unknown manufacture to us. We acquired that knowledge and we paid for it. We have acquired a great deal of military information from the other companies and paid for it. I do not know of any information which we have given them. I would like to have pointed out to me what information it is. The statement has been made that we have sold military secrets. You know more about military secrets than I do if you can make that statement. I will ask you to please tell me what it is. I never heard of it.

The CHAIRMAN. I see what you are worrying about. What I am wondering about is whether there is any such thing as a military secret. I do not know that we have run into one yet.

Dr. SPARRE. I certainly think there are military secrets. There is no doubt about it.

Senator VANDENBERG. Are there any military secrets, Doctor, when we find General Ruggles stating to your representative that he is perfectly willing to part with any so-called "improved and temporary secret processes" that the Government possesses, so long as it is necessary to keep the du Pont Co. in business.

Mr. IRÉNÉE DU PONT. That only referred to military powder.

Dr. SPARRE. That is not a military secret.

Senator VANDENBERG. Is not a military powder, if it is a progressive, improved thing, a distinct military secret?

Dr. SPARRE. Yes; but we did not give out any information in regard to the type of military powder which the United States Government uses. We have to remember that the Brazilians make military powder of the same general type; the Germans do; it is made in the Scandinavian countries. They make the particular type of powder which we call surface coated powder. We call it I.M.R. It is a type of powder which is manufactured in many, many countries. We manufacture that powder of a certain granulation. We have our way of doing it. The Germans have a flake type. We have it in the form of small tubes. We have a different coating agent. The Germans have a coating agent. We do not use their coating agent. These may be classified as military secrets, but we did not give the information away.

As Major Casey explained, we offered to sell or did sell—I have forgotten which—flake improved powder. That was the German type of powder which we made. It was not the American type, as standardized by the United States Government.

Senator VANDENBERG. What were the military explosives or military propellents upon which information was exchanged with Nobel in the early twenties, when your legal department was insisting that you had to give them everything you had? What military information did they get at that time, if any?

Mr. IRÉNÉE DU PONT. I want to correct your statement that the legal department insisted that we had to give them everything we had. That was subject to Government approval. That contract which was drawn up in 1914 and carried over, I think, to something like 1925 or 1923, specifically stated that it was subject entirely to Government approval.

Dr. SPARRE. Let me give an example, Senator Vandenberg. You asked the question, "What is an exclusively military explosive?" I will just cite an example that comes to my mind. That is gun cotton as used in naval torpedoes. I do not know that it has any commercial application. We do not manufacture it. We could not give information on it if we did not know anything about it.

Now, to show the misunderstanding about these things, I want to refer, for instance, to some testimony which Mr. Raushenbush introduced. He referred to certain sales of technical information in regard to nitric-acid plants which we had sold to different countries. We have given that same information to several American companies and to several European companies. But, furthermore, we published complete information about the principles, about the construction, even photographs of the plant in Industrial and Engineering Chemistry in November 1927, in Canadian Chemistry and Metallurgy in November 1930, and in the Journal of Industrial and Engineering Chemistry in August 1931.

Those are publications which are found in all technical laboratories the world over.

How that can be called a military secret I do not know. In the first place it is a commercial product. There is not 2 percent, I don't believe, of nitric acid which is used in the manufacture of military explosives, except in time of war that percentage goes up. But today 98 percent, about, of nitric acid is used for purely commercial things.

Furthermore, the information was all published. Whatever patents we could take out were in accordance with American patent practice also published. In the first place, it is not military, and in the second place it is not secret.

Now, Senator Vandenberg, you also will realize this: That the American statutes encourage the taking out of patents, because if an inventor does not cover this invention by a patent he runs the risk of losing the entire value of his invention. In accordance with the statutes, the inventor is compelled to submit a full, complete, precise statement of his invention, involving such a complete disclosure that anyone skilled in the art can duplicate the invention and duplicate the product and practice the invention.

When the American Patent Office accepts that invention as patentable, the Patent Office publishes that information in the United States Patent Gazette, which is available in practically all of the libraries over the world, and I know from personal experience that all of the chemical companies over the world take regularly that Patent Gazette. For 10 cents you can get a complete copy of the patent. Furthermore, anyone, whether he be an American citizen or a foreigner, at negligible expense, writing into the Patent Office and asking for a complete copy of the correspondence between the inventor and the Patent Office, can obtain it, and all of the letters going out for a period of years disclosing the thing completely are available for practically nothing to competitors and anybody else.

It is certainly an act of common sense for an inventor to apply for a patent in foreign countries, because the Patent Office published information makes a gift of it to anybody. If there are enemy countries, as you suggest, Senator Nye, they can get the information for nothing. Why should not an American inventor apply for a patent in foreign countries? If it is an enemy country, at least you make the enemy pay for it. But, as you suggested, it was not even paid for. How can an American inventor or an American Corporation be criticized for doing that thing which is merely complying with the American statutes.

I have been in this business for 31 years, and I have been dealing with literally thousands of patents. I suppose over my desk I handle annually between one and two thousand suggestions of new developments, and I never yet found any other way of handling it than we are doing.

Senator Nye, if you know of a better way, I will be thankful to learn it, because it would give me great help in handling this business; and yet it is a very serious accusation which you have made against this company. I take it to heart personally, because it is my business to handle these things and I do not know of any better way to handle them.

The CHAIRMAN. Perhaps we quibble over the word "secret" too much. It seems to me that it does not matter what we call it. The facts are that there is taking place day after day the sale of what is, if not a military secret, a military advantage, that is ours here in America, by reason of the ownership or production of a thing which enters into national defense. It seems to me that is the thing we are primarily concerned with. You ask what to do about it. Very frankly, I am uncertain in my own mind what we can do about it.

Dr. SPARRE. Let me make one suggestion.

The CHAIRMAN. But the further we move along in this study I am very frank to say, the more thoroughly convinced I become that the business of providing the national defense as relates to the primary things entering into national defense ought to be a government owned and government controlled thing altogether. I do not like the idea in toto—it is an exceedingly difficult thing to work out—but you have asked me the question, and I am answering you, not for the committee, but only for myself. It seems to me the sooner we cease this practice of arming all the world so we can have capacity to fight the world with when the world turns on us with those things we have sold them, the better off we will be.

QUESTION OF CONTROL OF CHEMICAL INDUSTRY IN RELATION TO DISARMAMENT

Mr. CASEY. Senator Nye, you said a little while ago you would give me permission to introduce into the record a report which was in our files but which was not taken. It has to do with the question of this morning's and likewise the present subject. I would like to read it.

The CHAIRMAN. Yes.

Mr. CASEY. It is dated January 13, 1933, and is a memorandum from Colonel Simons:

Colonel Taylor in his T–2554 of December 28, 1932, forwards his annual report, and comments on European conditions in general, not only as regards the business outlook, but also as regards the political and military aspects.

His comment on disarmament is of such interest and importance that I extract it for your attention as follows:

"In view of the very great effect in Europe of the convention covering the limitation of the traffic of arms, signed at Geneva in 1925 but not ratified, in accelerating the construction of government factories in Europe, the office has been very much concerned as to what might be the result of the present discussion at Geneva.

"There is no need to describe the visible result of this conference as this has been well covered by the press; but we have been trying to find out what the real effect would be.

"It is the opinion of the military manufacturers that no limitation will be put on government manufacture; for example, in France, there are 300,000 people employed in the government arsenals, and nearly all these men vote for the socialist deputies; therefore, while the socialist deputies with their liberal doctrines cry for disarmament, any attempts on the part of the French War Department to close down the government factories are bitterly opposed by these same deputies on the basis that it would throw voters out of work. In many other countries the same situation exists, and whenever there has been a tendency on the part of the military administration to reduce governmental manufacture, it has been always opposed by the Labor deputies on the basis that it would put men out of work.

"It is, therefore, generally believed that there will be no limitation to governmental manufacture. The only thing which will be acceptable to the politicians is limitation on private manufacture; and it is further supposed that in case of further limitation on private manufacture, that the present private factories, such as Hotchkiss in France and Bofors in Sweden, will be immediately transformed into governmental arsenals and continued as before. It is also supposed that no limitation will be put on the delivery of arms from one government to a friendly government; hence there will be some export business from the government factories.

"The net result of this conference so far has been the tendency on the part of the governments to develop governmental manufacturers and to spend their money at home.

"There is also a tendency, which does not affect the armament business, for the military advisers to devise suggestions destined to obtain military advantages for their respective countries. One of the motives back of the French proposal, that all countries should establish a conscription is to upset the present German system of handling their Reichswehr. The Reichswehr is limited to 100,000 men of 12 years' enlistment and it would appear reasonable to suppose that there should be at present a number of soldiers around the ages of 33 or 34; the fact is that when one meets a soldier of the Reichswehr he is a young man in the early twenties, and it is pretty well accepted that there are several men available under the same name and hence training much larger number of men than permitted. The French feel that this is a more dangerous system than general conscription. Both the French and German proposals for disarmament are simply jockeying to get a favorable situation."

In view of the newspaper reports that the Swedish Government has taken steps to nationalize Bofors and in view of the reports in today's paper of the larger exports from France by Hotchkiss and by Schneider, it would appear that the proposed American embargo on munitions is simply a method of destroying American competition and turning over a free field to continental competitors.

AIKEN SIMONS.

Now, incidentally, at the previous hearing there was considerable to-do about a report of Colonel Simons dated January 17, 1933, where he went around and saw a Major Brown and he saw General Moseley and he tried to see Secretary Payne and others, and he also went to the Bureau of Ordnance, but this is the memorandum that Colonel Simons took around, and you can readily see that, not as inferred at the previous hearing, that it had something to do with trying to block or interfere with the disarmament conference, but it was simply giving what our people thought was the tendency in Europe.

I would like to have that made thoroughly clear. I would like to have that put in the record.

The Chairman. Did you read the entire thing?

Mr. Casey. The entire thing.

Mr. Raushenbush. Of course, Major, you have been reading this, offering it, and it has been accepted, and it is in a way your exhibit, which you ascribe to the situation. Both you and Dr. Sparre refer to evidence brought in in September. It is quite simple for each one of you to remember all of your testimony, but we, on the other hand, are supposed to remember the testimony of 50 people. So it is difficult, without the books in front of us to go back and recall exactly what was said. I think later on we will come into some of the points Dr. Sparre made. For instance, about the amount of peace-time material that can be war-time material, I think we will accept at first blush without question your statement that in peace there is very little war-time material, but that in war it gets to be war material. There is nothing startling about that one way or the other.

The point made, as I remember it, roughly, in September, was that these were also war possibilities, and it was brought out again yesterday that immediately after the war your own people were saying that the disarmament would be a farce unless that huge arsenal of I.G. was either destroyed or scattered around the world.

If you wish, we can let that argument go for a few days.

Dr. Sparre. I wish you would not let it go. I made yesterday an incomplete statement, for reasons which I will tell you, and I wish now to take this opportunity, since you brought it up, to complete my statement of yesterday, which I think is of importance, certainly to us.

Mr. Raushenbush. Will you just let me finish with Major Casey's memorandum for a moment. It is only a brief comment, and then I am through with that.

Senator Vandenberg. It seems to me the whole thing is coming back now into the specific field of exhibits, and we have none of our exhibits here, and we are not prepared to go ahead this afternoon. I think perhaps we better postpone the discussion of these cases.

The Chairman. We are going to move directly into that field Monday, Doctor.

Dr. Sparre. The reason why I mention it now is this: That my testimony is incomplete and I think your committee should have my complete statement before you start the next hearing on this subject. It won't take me long to put it in, because I wrote it out to be sure it would go very quickly.

Mr. Raushenbush. Why don't you file it, Dr. Sparre, with whatever exhibits you have from your own files to back it up, and then we can study it and have it before us until Monday?

Dr. Sparre. Mr. Raushenbush, you know how it is. We have been asked to tell the truth and the whole truth, and I do not like the idea of being asked to tell a part truth, because I know in these questions a part truth is worse than nothing at all, and I would like to tell the whole truth. If you don't want that, I will keep quiet.

The Chairman. The only thought is that we are leading into something which is bound to stretch out this afternoon, how long no one knows, on a ground we will have to go over again Monday, when Senator Clark, who is in charge of that particular matter, will be here. Why don't you make that statement then?

Mr. LAMMOT DU PONT. May I call your attention to the fact that Dr. Sparre was testifying earlier today and he was interrupted by a member of your Committee and was not allowed to continue. You surely will not deny him the privilege of reading that statement.

The CHAIRMAN. I suppose if it is in connection with testimony that was being offered this morning—I am not aware of the incident myself.

Dr. SPARRE. No; this is in connection with testimony of yesterday afternoon.

Mr. RAUSHENBUSH. It was not this morning. It was yesterday.

Dr. SPARRE. But we adjourned very early and I gave an incomplete statement.

Mr. RAUSHENBUSH. I did not realize at the time that is was incomplete.

Dr. SPARRE. It was.

Senator VANDENBERG. Do you feel, Dr. Sparre, that it would be an injustice to postpone your statement until Monday?

Dr. SPARRE. I would say there, if you give me the opportunity to start out with the statement at the next hearing, before anything else is said or done about that situation, I will be satisfied.

Senator VANDENBERG. I think that is preferable, because I would like to have Senator Clark here, who is in charge of that phase of it.

Mr. IRÉNÉE DU PONT. But, Mr. Chairman, the continuity of the thing is lost. I would like to hear the rest of it. I cannot see why so early in the afternoon we should not hear the rest of the statement.

Senator VANDENBERG. You are familiar with the statement, aren't you?

Mr. IRÉNÉE DU PONT. No; I am not. I do not know a thing about it. I just got back from New York this morning.

Senator VANDENBERG. I am perfectly willing to sit here, if you feel it is unfair to you not to proceed. I decline to plead guilty to an accusation of that character.

Mr. IRÉNÉE DU PONT. Thank you.

Senator VANDENBERG. Go ahead, Dr. Sparre.

Dr. SPARRE. Mr. Raushenbush, at yesterday afternoon's session, submitted among other papers a copy of a communication relative to disarmament conferences to the effect that "Disarmament is a farce while Germany retains organic chemical monopolies." A little later Mr. Raushenbush suggested that "the whole question of control of the chemical industry was really a very important one to the whole question of disarmament."

Those are two totally different statements. One deals with the German monopoly which handicaps other countries and the monopoly confined to the organic chemical industry. That has nothing to do with the general chemical industry. It is a totally different thing to talk about the German monopoly before the war and another thing to talk about the domestic American chemical industry.

Mr. Raushenbush asked whether the du Pont representatives before the Senate committee were in accord with such a proposition. I replied that I was not in accord with it. I did not elaborate on the subject at the time, as I did not want to interrupt Mr. Raushenbush in his presentation of a number of documents for the record, expecting that an opportunity would be given to me to explain my position after Mr. Raushenbush had presented his case. The matter is of such vital importance to the American chemical industry, however, that I would like to present the reasons for my opinion now.

Ever since the outbreak of the world war I have been convinced that there is a very close connection between preparedness and the chemical industry. There is, however, an important distinction between chemicals and munitions. The chemical industry is important in war; it is also enormously important in time of peace. Munitions, on the other hand, serve no purpose in peace time except as a matter of military preparedness.

To prove the correctness of the assertion that Government control of the chemical industry would have to be a part of any disarmament agreement Mr. Raushenbush referred to a statement by Dr. Hale, an eminent chemist mentioned in one of the documents, to the effect that an indigo factory could be converted within an hour's time into a plant capable of manufacturing poisonous gas for war purposes.

Granting that Dr. Hale's statement is correct, it must be understood that in times of peace such a factory would produce only indigo and would not produce any war gas whatever. Even in the event of war the demand for indigo for commercial purposes would continue, and it would, therefore, be desirable to leave the indigo plant unchanged and build a new plant designed entirely for military purposes. This would only be possible if the country were prepared with reserve supplies of war gas, so that time would be available for the construction of the new plant. The existing indigo factory and its personnel would then offer the advantage of serving as a model for the war-gas plant which could be constructed more quickly and more efficiently and would have a trained personnel immediately available for its operation.

Under these conditions there would seem to be no reason to put the indigo plants during peace times under the type of Government control that has been suggested for munitions.

The same statement would apply to the chemical industry as a whole. The manufacture of chemicals is essentially a commercial operation with only a negligible portion of its output used for military products in time of peace. I do not believe that anyone will dispute the fact that the progress of American industry today is very largely based upon chemical research. To say that because the chemical industry is important in war it should therefore be placed under the control suggested for armaments is like saying that the production of wheat or steel or any other basic product of great importance in war should be similarly subject to armament regulation.

As a further illustration, permit me to point out that guncotton as used in naval torpedoes is manufactured to the extent of between 60 and 70 percent of its weight from cotton, and smokeless powder is manufactured to the extent of between 50 and 60 percent of its weight from cotton, which is one of the important reasons why cotton was contraband in the late war. Yet the percentage of the American cotton production which is consumed during peace times in the manufacture of military munitions is negligible, though during times of war it becomes an important factor. If the chemical industry were to be placed under Government control in connection with disarmament regulations there is just as much, if not more, reason for placing farms producing cotton and the entire cotton textile industry under Government control during peace times.

I can, therefore, only reiterate my refusal yesterday to accept Mr. Raushenbush's suggestion that we are in agreement with the statement that disarmament would be a farce unless the chemical industry is placed under Government control. I am convinced that these two questions have nothing to do with each other. On the other hand, if disarmament regulations are put into effect they will, of course, include military munitions and that would include any existing plants and equipment suitable for the manufacture of war gases and not in use for other purposes.

Mr. Raushenbush. Mr. Chairman, may I question him on that?

The Chairman. I think since the statement has been read, the member of the committee or Mr. Raushenbush, if you would like to, may question the witness upon the statement, and now is the time to do it.

Mr. Raushenbush. Mr. Chairman, we hope to get into this thing a little more in detail later on Monday. On the face of it, there is nothing in Dr. Sparre's statement that was not made clear by him yesterday, as far as I understood his position. Dr. Sparre says on the first page of this statement that since the beginning of the war, the outbreak, he had been convinced that there was a very close connection between preparedness and the chemical industry. That was one of the points that we were making yesterday.

We also made the point that a good many of the people either directly in the employ of the company or operating through one of the institutes to which the company was contributing the American Dye Institute, I believe, were making a case for protection, which is natural, to young industries, on the ground that the chemical industry was very important in the whole question. First, it was put on the question of disarmament and then, later, it was put under the heading of armament, as I remember it.

The point that the chemical industry is enormously important in time of peace is very obvious, and would be accepted without any question at all.

The assertion on the second page that the government control of the chemical industry would have to be part of any disarmament agreement, was simply taken, and I am sure Dr. Sparre will admit that the question on that was without any conclusion—was simply taken from the records of the company's people at the time. They were the ones who made the argument as to the conversion of an indigo plant into a plant capable of manufacturing poison gas was within an hour's time.

Dr. Sparre, at this point, draws a distinction between the organic chemical industry and the nonorganic. I think not only you, but anyone else, will agree with me about the war-time importance of the organic chemical industry. I know not enough about the rest of the chemical industry to speak of its war-time experience. What would you consider the Badische Aniline & Soda Fabrik? Would you consider them in the organic group?

Dr. Sparre. That is organic.

Mr. Raushenbush. That comes under that discussion.

Dr. SPARRE. That comes under that, Doctor, because it involves really a specialized knowledge of all of the organic chemical industry, whereas, take sulphuric acid, and nitric acid, or something like that, they are inorganic and the United States has always had a large industry in the general chemical field, and when the war broke out there was no difficulty about it. There was only one inorganic chemical that we did not have in sufficient quantity, and that was nitrogen. At first, the United States relied upon Chile for nitrate of soda, and that was its source of supply at that time. The question of nitrogen is no longer an important one.

Mr. RAUSHENBUSH. I understand that.

Dr. SPARRE. For instance, at the outbreak of the war, the coke business only recovered about 15 percent of the byproduct ammonia.

Mr. RAUSHENBUSH. You did admit just a moment ago, and I thought we were in general agreement on that, that the organic chemical industry was of importance to the war.

Dr. SPARRE. Yes.

Mr. RAUSHENBUSH. You are now saying that it is a little less important than when we were dependent upon Chilean nitrate for our supply?

Dr. SPARRE. The only inorganic chemical that was important when the war broke out was Chilean nitrate.

Mr. RAUSHENBUSH. Will you enlighten my ignorance on that one subject. When speaking a moment ago you seemed to set sulphuric acid and things like that in the inorganic group.

Dr. SPARRE. That is right.

Mr. RAUSHENBUSH. Then your distinction was, admitting the organic chemical industry meant the heavy nitrates, and so forth——

Dr. SPARRE. No; that is inorganic. Let me give you an example of that.

Mr. RAUSHENBUSH. Yes; I wish you would, Doctor.

Dr. SPARRE. When the war broke out, we continued our manufacture of smokeless powder, but we had to manufacture largely increased amounts of smokeless powder. Take, for instance, diphenylamine, that is an organic chemical pure and simple, made only in that industry. When the war broke out it was not made in the United States. It is made from anilin. We did not have plants of that part of the organic chemical industry. One job we had to tackle in 1914 was how to get diphenylamine for our smokeless powder.

Mr. RAUSHENBUSH. If you will allow me to continue with the analysis of the statement made, I ask you on these two questions, indigo and diphenylamine are on the organic side?

Dr. SPARRE. Yes, sir.

Mr. RAUSHENBUSH. And sulphuric acid is inorganic?

Dr. SPARRE. That is right.

Mr. RAUSHENBUSH. You made the distinction, then, in your statement that while you admitted rather freely that the organic chemical industry was of enormous importance in armament in time of war, you were a little more doubtful, were you not, about the inorganic side, the rest of the chemical industry?

Dr. SPARRE. You did not get me right there.

Mr. RAUSHENBUSH. All right.

Dr. SPARRE. I said at the outbreak of the war we could handle our inorganic situation, because we had increased our production enormously, the resources of the country, and the knowledge within the country permitted that.

Mr. RAUSHENBUSH. Yes.

Dr. SPARRE. On the other hand, the organic industry was so limited in its use, and so limited in its manufacture that the country was handicapped in the organic field. On the other hand, Germany had pretty nearly a monopoly in that field. That is the way we drew a distinction between the organic industry at the outbreak of the war, in which Germany had almost a monopoly.

Mr. RAUSHENBUSH. Yes.

Dr. SPARRE. The moment we establish an organic industry here, we are in a far better position than in 1914.

Mr. RAUSHENBUSH. You go with me far more completely than I thought you did. You say, then, in war time that both organic and inorganic chemistry are important to the successful handling of a war?

Dr. SPARRE. Yes; but isn't the same thing true of steel, cotton, or everything else?

Mr. RAUSHENBUSH. Add to that the statement about this is going to be a chemical age, and I believe those statements are of enormous importance to the progress of the chemical industry, perhaps a little bit above steel. But that is a matter we can go into later.

Then, on the second page you take up the proposition that it must be understood that in times of peace such a factory would produce only indigo and would not produce any war gas whatever. You do not know what the Badische factory is doing.

Dr. SPARRE. When the war broke out between the European countries we found it desirable to build new plants rather than rebuild old factories; it was more economical.

Mr. RAUSHENBUSH. It was Dr. Hale who offered that proposition that an indigo plant could be converted inside of an hour into a mustard-gas plant. You do not say that cannot be done?

Dr. SPARRE. No.

Mr. RAUSHENBUSH. If a country were wise enough to build up a supply of mustard gas it would not use that same plant for the making of gas in time of war?

Dr. SPARRE. It would be more economical to build a plant, rather than to convert the old one.

Mr. RAUSHENBUSH. On the supposition that the country had piled up a supply ahead of time, when we come to time of war they are supposed to have piled up a supply ahead of time. In that event we have the proposition of Dr. Hale's still stand as a possibility?

Dr. SPARRE. I think Dr. Hale's suggestion is intended to illustrate the organic chemical industry. I do not believe anybody would want to convert an indigo factory into a gas factory. It is more economical to build a new one than to convert an old one. That has been the experience, you see, Dr. Raushenbush.

Mr. RAUSHENBUSH. It is mister.

Dr. SPARRE. Our experience is that we save both time and money by going ahead and doing the right thing right away, rather than patching up an old one. That is our war experience.

Mr. RAUSHENBUSH. Our country is a little longer distant away from the others, and these continental countries might operate differently.

I think on that proposition of the indigo factory it has been analyzed into what it boils down into. Your statement that the manufacture of chemicals in peace time is a commercial operation is without doubt true. It is like saying anything in peace time is a peace-time matter to a large extent, and we had considerable argument here the other day about the question of whether or not certain powders could be used for sporting powders and other purposes. In the rest of the statement it simply goes on to make the point that all of these things like cotton and steel can be and are decidedly war materials under certain circumstances. I do not think we would question that at all. What you were doing was stating in the words of your own people that disarmament involved the chemical industry and armament involved it, also.

Now, if you are going to get the chemical industry out of the whole question of arms, you are doing something more than these so-called "disarmament conferences" have done. They perhaps have not been able to function as freely as they should.

Dr. SPARRE. I think the chemical industry should be in the same class as the steel industry or any other industry. Why single out the chemical industry, because, after all, the steel industry in times of war is far more important than the chemical industry.

Mr. RAUSHENBUSH. If it is believed that the chemical industry and the poison-gas industry is going to be a big industry in the next war, then that is testimony we ought to hear from the War Department officials, whether or not they consider the chemical and poison-gas industries and others along this line more important than steel or cotton.

The CHAIRMAN. All of which the committee is planning for during the course of its studies.

Mr. IRÉNÉE DU PONT. President Wilson repeated his statements three times to Congress on that. [Reading:]

> President Wilson said in a message to Congress May 20, 1919, and repeated in two other messages December 2, 1919, and December 7, 1920:
>
> "Nevertheless, there are parts of our tariff system which need prompt attention. The experiences of the war have made it plain that in some cases too great reliance on foreign supply is dangerous, and that in determining certain parts of our tariff policy domestic considerations must be borne in mind which are political as well as economic. Among the industries to which special consideration should be given is that of the manufacture of dyestuffs and related chemicals. Our complete dependence upon German supplies before the war made the interruption of trade a cause of exceptional economic disturbance. The close relation between the manufacture of dyestuffs, on the one hand, and of explosives and poisonous gases, on the other, moreover, has given the industry an exceptional significance and value. Although the United States will gladly and unhesitatingly join in the program of international disarmament, it will, nevertheless, be a policy of obvious prudence to make certain of the successful maintenance of many strong and well-equipped chemical plants. The German chemical industry, with which we will be brought into competition was and may well be again, a thoroughly knit monopoly capable of exercising a competition of a peculiarly insidious and dangerous kind."

Now, Mr. Wilson had the king's English at his command, if anybody had it, and I think that that is expressed very clearly. It in some way suggests your idea that this is a peculiarly important industry. That was the basis of this quotation that has been referred to so much about disarmament "is a farce."

Mr. RAUSHENBUSH. Without going into it further, you were not present yesterday afternoon when the interest of the company in the proposals of the British delegation to the 1922 Washington Conference were brought out, the interest not only of the British but also of the French and Italians, and what their proposals would be about the use of gas in warfare. They seemed to corroborate some things that Mr. Irénée du Pont is expressing here.

Mr. IRÉNÉE DU PONT. Mr. Wilson, not Irénée du Pont.

Mr. RAUSHENBUSH. I really was drawing a distinction. Mr. Irénée du Pont was expressing and agreeing in the phrase after he read this quotation, that this industry is vitally interested in any regulations imposed upon the chemical industry, because the chemical industry is, as this very conference showed, by taking it up as part of the disarmament program of the world. Those exhibits are of course available for your study later.

Senator VANDENBERG. I think we might as well recess now.

Mr. GARVAN. Mr. Chairman, may I ask a question?

The CHAIRMAN. In view of the fact that you are going to appear as a witness could that not be deferred until later?

Mr. GARVAN. I am not going to make a statement. I just wanted to ask permission to appear as a witness.

The CHAIRMAN. You are going to have that permission; you may be sure of that.

Mr. CASEY. Mr. Chairman, may I make one further statement?

The CHAIRMAN. Mr. Casey.

Mr. CASEY. In connection with the report which was just read, I think there is one thing that does stand out as a result of that information, and that is this: That if this committee is trying to find out a means of achieving disarmament, it certainly clearly indicates that if there are government plants all over the world where they have the same situation, it probably may result that then any efforts instead of reducing government manufacture, and achieving your objective, will have just the opposite effect.

The CHAIRMAN. That is a matter of argument.

The committee will stand in recess until 10 o'clock Monday morning.

(Thereupon the hearing recessed until 10 a. m. Monday, December 10, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

MONDAY, DECEMBER 10, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10 a. m. in the Finance Committee room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), Clark, Pope, and Barbour.

Present also: Stephen Raushenbush, secretary to the committee, and Robert Wohlforth, assistant to the secretary.

The Chairman. The committee will be in order.

The committee would like to hear this morning Mr. Beebe, Mr. Monaghan, and Mr. Felix du Pont.

FURTHER TESTIMONY OF F. J. MONAGHAN, H. F. BEEBE, A. FELIX DU PONT, LAMMOT DU PONT, AND K. K. V. CASEY

METHODS OF DOING BUSINESS—BALKAN STATES

(The witnesses were previously sworn by the chairman.)

The Chairman. Mr. du Pont, the record at the moment rather clearly establishes your belief that there is necessity for foreign sales of powder and munitions generally in order to keep our own powder plants and munitions factories ready for an emergency should it arise. I take it that that is your opinion, is it not?

Mr. A. Felix du Pont. Yes.

The Chairman. For the purpose of making clear the record again, just what is your connection with the du Pont factory?

Mr. A. Felix du Pont. I am general manager of the smokeless-powder department and one of the vice presidents of the company.

The Chairman. We want this morning to raise a few questions relative to the social cost of these foreign sales and foreign negotiations. We would like to know, of course, what price the nations of the world pay to keep our American plants in the state of readiness or unreadiness to prepare for the next war; and when we concern ourselves with bribery of foreign officials we are not concerning ourselves so much with the bribery itself as we are with the thought of what it leads to.

Surely, where a company bribes—at home or abroad, it matters not—there must be builded in the mind of that business that is engaged in that bribery a feeling, a spirit of contempt, for any country that must be approached in that manner in order to get the business and, where, as is true or seems to be true, all munition companies the world over are getting their business in a country through methods involving bribery, there must be contempt toward that country or of that country on the part of all of the companies doing business there.

Don't you think that these methods that are found, so-called, "necessary" rob administrations of governments of any feeling of moral independence? Don't you feel that that is the case?

Mr. A. Felix du Pont. I think you raise a very complicated question there, Senator Nye. The customs of different countries are so entirely different that it is quite difficult to dispose of the question in any very few words.

For instance, while I have not traveled in the Orient, except in a very limited way, all that I have heard about it is that the methods used in the way of bribery are quite different from what they are in this country, and certain things that are frowned upon in this country and perhaps done in a different way are the natural course of trade and trade competition in those other countries.

I believe that bribery of a certain kind is used in most of the countries of the Orient in all walks of commercial life. It is no different in the munitions business than it is in any other commercial business. It is accepted; not talked about very much; but people in competition in those countries simply could not possibly carry on their trade if the customs of the country were not adhered to.

The Chairman. But it has a tendency at one and the same time to break down moral fiber, doesn't it? Representatives of a country that are in any way involved in programs of bribery, the receiving of bribes, are not apt to make the best kind of representatives at a disarmament conference, for example, are they?

Mr. A. Felix du Pont. They are the kind of people who are of their own set. The either doing or not doing what they accept as the way of doing in their country would have no weight with them whatsoever.

The Chairman. If I had been in times past the recipient of any bribe for any favor I had performed, for example, for your industry, or even though I had received campaign contributions, do you think it would be fair for me to try to give representation that was square serving on a committee such as this, investigating the industry?

Mr. A. Felix du Pont. Now you are speaking of the United States.

The Chairman. I am speaking of that only.

Mr. A. Felix du Pont. Yes.

The Chairman. That we may better put ourselves in the shoes of those we are dealing with in other lands.

Senator Clark. In any country, Mr. du Pont, if a public official would accept a bribe for the letting of a public contract, it is very plain he would let the public contract to the highest bidder, irrespective of the public interest or the interest of his country at all; isn't that so?

The Chairman. We will not press for an answer there. It was not propounded for an answer, to be frank with you. But I am coming back to the question we originally opened with: What is the price of keeping American plants, munitions plants, ready for functioning in time of emergency, by proceeding abroad, as we are proceeding, to sell our wares in other lands?

I will admit, in starting, that there is another question in the back of my mind. The question is this: Why have disarmament conferences been the repeated failures that they have been? Have they failed because the friends or beneficiaries of the private munitions people were in the delegations? Until every country in the world, it seems to me, has brought out the facts, as we are trying to bring them out here, we probably never will know the exact and proper answer to that question.

You have already said that you believed in the desirability of foreign trade in order to keep our plants ready for that emergency which none of us hope is going to arise, but which may arise. You have been engaged in an intensive campaign, have you not, Mr. du Pont, selling powder all over the world?

Mr. A. Felix du Pont. Yes, but the records show, I think, that it has been rather an unsuccessful campaign. All of our efforts or the greater part of our efforts, as the testimony has brought out here, the most of the efforts that we were making came to naught.

The Chairman. Are you still striving for that trade?

Mr. A. Felix du Pont. Yes.

The Chairman. As diligently as ever you did?

Mr. A. Felix du Pont. We have found in so many places that we were not successful that we have practically given up attempting to sell through certain channels which have been pretty well exhausted, so that I suppose we might say that the campaign is not as intensive as it was.

The Chairman. To what do you attribute your failure to win that larger field that you might at one time hope for?

Mr. A. Felix du Pont. European competition.

The Chairman. Competition in the ordinary sense or the particular kind of competition that you have to meet there?

Mr. A. Felix du Pont. In the ordinary sense.

The Chairman. Do you find practices engaged in in order to accomplish sales abroad rather distasteful?

Mr. A. Felix du Pont. I might say yes to that. The record shows that we have attempted to make sales in certain countries and under certain conditions where we finally discovered that the methods required were distasteful and we abandoned our efforts.

The Chairman. Their practices in many instances are really reprehensible, judged by ordinary business standards, are they not?

Mr. A. Felix du Pont. Judged by our standards, yes, but in the ordinary course of competition of trade in certain countries, I believe they are not different from effort in the introduction or attempt to sell any other kind of commercial product.

The Chairman. You are doing some business in the Balkans?

Mr. A. Felix du Pont. At present, I think not.

The Chairman. None?

Mr. A. Felix du Pont. I think not.

The Chairman. Are you armed with agents in the Balkans who are striving to sell?

Mr. A. Felix du Pont. Yes, we have some.

The Chairman. As many or less than you have had at other times?

Mr. A. FELIX DU PONT. There are about as many. You see, these agents do not receive any salary. They simply report to us when they think they can make a sale.

The CHAIRMAN. When did you first institute sales efforts in the Balkans?

Mr. A. FELIX DU PONT. I cannot remember exactly the year, but it was around 1923, I believe, or 1922.

The CHAIRMAN. After the World War?

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. We have before us a letter written to Mr. Casey by your European representative, William N. Taylor, which is offered as "Exhibit No. 948."

(The letter referred to was marked "Exhibit No. 948½" and is included in the appendix on p. 2595.)

The CHAIRMAN. This letter, Mr. du Pont, is dated October 10, 1922, and its general nature seems to indicate that this was about the first approach that was made to the Balkan market for your powder. I want to read in part that letter.

Have you been previously aware of this letter?

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. You are conversant with it?

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. Was it called to your attention——

Mr. A. FELIX DU PONT. I have not read it for a good while, Senator.

The CHAIRMAN. Was it called to your attention at the time that it was sent?

Mr. A. FELIX DU PONT. At the time it was sent, I think so. I think I read it at the time it was received by my office.

The CHAIRMAN. Mr. Taylor points out in this letter that there are, after his study, certain essentials in the traffic carried on in the Balkan countries which are going to have to be met if the du Ponts are going to attract any of that business.

> In the Balkans I ran across a situation so entirely different from anything we have in America that I am writing this in addition to my letter no. 36 to try to give you a picture of the situation there.
>
> We want to sell powder in the Balkans and powder can be sold to the Balkans, but the method of straight selling for what they need and getting paid for it will not work. If you draw a line from Trieste to Warsaw and go east of that line, you find the business and financial conditions run on a set of rules entirely their own, and if we can't conform to the situation, we won't be able to get any business. There, the ordinary business ethics are entirely different from ours and people have no knowledge of ours, they don't know what our business ethics mean. Their financial methods and the methods of raising money from their Governments are also entirely different from ours.
>
> In the first place, the country is constituted of a great mass of peasants who work in the field and cannot read nor write. Until comparatively recently the Governments were absolute monarchies run by a group of people around the monarch who, by every means which they could imagine, extracted money from the peasants without any idea of what we might call a national instinct or any idea of being fair or doing good to the peasant—on the contrary! Generally in these countries are several groups of such people and all political agitation is simply a fight between these different groups to get their hands on the spoils. The great western European powers have attempted to force upon these people the western ideas of government and eithics and the result has been merely a complication of their primitive methods. They begin by collecting all the taxes they can, then they purchase things for the Government and all of them collect all the graft they can in every way out of these

> purchases. They don't much care what they pay so long as they get the graft, which is their main object. Internal politics consist of disputing over the graft—external politics consist in developing complications which permit them to spend or collect more Government money. The idea of doing anything for the good of the country has never been translated into their language.

Mr. du Pont, would not that rather indicate that there was a byproduct to what Mr. Taylor referred to as the internal graft, and that that byproduct was war, which afforded a larger opportunity for graft? Was that his meaning, do you think?

Mr. A. FELIX DU PONT. I don't know. And I will say this: That this letter was written 12 years ago. Colonel Taylor was setting out to do something entirely new.

The CHAIRMAN. This was his first approach to that market?

Mr. A. FELIX DU PONT. This was his first approach in that general line of work. He had only been on it a short time, he had been on ordinary commercial business before this.

Senator CLARK. You mean that that is the first time Taylor ever recognized the necessity of bribing public officials to get contracts?

Mr. A. FELIX DU PONT. I don't know. I could not say that; but I do think that with the experience that Colonel Taylor has had, if he read that letter over now he would not subscribe to his own remarks entirely.

Senator CLARK. You mean, he would not be quite so thin-skinned as he was then?

Mr. A. FELIX DU PONT. No; I do not mean that at all. I think he would be a little more charitable in his views of other people, and that would temper his judgment in regard to it.

The CHAIRMAN. You mean that his experience has equipped him to know that this is quite the ordinary thing in the Balkans?

Mr. A. FELIX DU PONT. I think that——

The CHAIRMAN. That he is rather resigned to it?

Mr. A. FELIX DU PONT. No. I think he would feel now that his very strong accusations that he makes in this paper or in this letter are not warranted.

Mr. RAUSHENBUSH. Has he ever told you so?

Mr. A. FELIX DU PONT. No; but the tone of his letters at various times and his conversations indicate a change in thought on that.

Mr. RAUSHENBUSH. If there are any letters we missed, Mr. du Pont, in which he reverses himself and said that that situation is changed, we would be glad to have them submitted.

Mr. A. FELIX DU PONT. I do not think you could find it in any direct statement, Mr. Raushenbush. You would simply find that he does not believe all he hears when he goes into a country. He apparently got with people who told him how perfectly frightful their practices are and he found out that after all they were a good deal like most people; they were not quite so dishonest as he indicates in this letter.

The CHAIRMAN. Let us read from the letter [reading]:

> For instance, the idea of issuing an internal Government loan, selling it to the people, has never occurred to them and could not be done. When they want an internal loan they get together the rich merchants and Jews and say "You will lend the Government some money or we put you in jail; if you do lend the Government money, we will let you in on the profits for 15 or 20 percent." A merchant is successful when he knows how to distribute the graft and get away with part of the profits.

> If you go down to that country with something to sell and expect to find fair competition on prices and quality, you will be very much deceived—there is no such thing. People who traded the most with those countries and are most successful are the English and Germans. How do they do it? Let us take Vickers for example. It is impossible for Vickers, with their British stockholders and their English business ethics, to play this game directly. So they use the intermediary of a man like Sir Basil Zaharoff who is the most important of his class, who acts about as follows: He gets a price from Vickers with a discount of 40 or 50 percent. He goes to the country and he says: "You need so much material, I'll provide you with this whole lot and give you so much graft and I'll lend you the money to buy it with." Then he will go to a local banker or merchant and he'll say this: "We will make a loan through Mr. So-and-so to the Government, and this loan will bring you a very large interest and we will give so much commission to the Minister of Finance" and he'll promise to collect enough taxes to pay this loan and he does not get the commission until the loan is paid back. He gets his money from these various people. The Government pays Vickers the full amount less the discount which goes to some intermediary. In time the Government collects taxes, pays back the people who made the loan, and all the people in the game pluck up the profits. He has now made an arrangement of this type for refilling the Greek Army. If we want to sell down there, we will have to do somewhat the same thing. We will have to go to the Government and say "We can furnish you with a variety of materials, large orders, which will make a big enough sum to be interesting. We will cover fixed ammunition, powder, rifles, and cannons, shoes, uniforms, etc., and we will help to arrange a loan to permit you to pay for this." We can then go to a local bank and say "Now you must arrange a loan to the Government to pay for this material on which you will get a large percentage." This bank will get up a private loan promising large interests to the subscribers, subject to a purchase of material to our combination.

Now, Mr. du Pont, this story here, to the effect that the people who traded the most with those countries and are most successful are the English and Germans, is this generally known to the trade, the munitions trade?

Mr. A. Felix du Pont. Is what generally known?

The Chairman. That the Germans and the British were the most successful in that field.

Mr. A. Felix du Pont. I suppose it was.

The Chairman. Do you know whether the British Government had knowledge of Vickers' activities in that field?

Mr. A. Felix du Pont. No; I do not know.

The Chairman. I read on from Mr. Taylor's letter [reading]:

> In order to work this we must work through an American bank who will act as an intermediary between us and a local bank and must be able to do its share in raising the loan among the rich Nationals of the country to which we sell, who are residents in America. If we could find a bank who knew how to do this, we should get up an expedition to go to those countries, consisting of representatives of the bank, technical men from the Bethlehem Steel, a small-arms company, an ammunition company, and sit on the job until we could negotiate.

How much sitting on the job has there been, Mr. du Pont, to make such an arrangement?

Mr. A. Felix du Pont. There has not been any following out of that method which he thought at that time was the necessary way to go about the business.

Mr. Lammot du Pont. And, Mr. Chairman, Mr. Felix du Pont is of course speaking for the smokeless-powder department. I would like to speak for the company as a whole, the smokeless-powder department, the explosives department, and all the others.

The Chairman. Splendid.

Mr. Lammot du Pont. We have not done business with the State in question on any such basis as described as necessary by Colonel Taylor.

Mr. Casey. I can add to that, Senator Nye, if you will pardon me, but I promptly wrote back to Colonel Taylor that we could not do business that way, but would do business the way we always had done, on a cash basis. Further than that, I might add when the letter was presented by Mr. Felix du Pont to the executive committee, a resolution was promptly put into effect prohibiting such practice.

The Chairman. Since that time, 1922, I expect there has been some change in that field by reason of the building of powder plants.

Mr. Lammot du Pont. I do not know as to that, Senator.

The Chairman. Does not I. C. I. have its powder plants there?

Mr. Lammot du Pont. I do not know that.

The Chairman. And Nobel?

Mr. Lammot du Pont. I do not know that.

The Chairman. Mr. Felix du Pont, do you have any knowledge of what companies are operating plants in the Balkans at the present time?

Mr. A. Felix du Pont. No; I do not know.

The Chairman. Mr. Casey?

Mr. Casey. The only thing I know is that it was brought out the other day that there was a connection with a Czechoslovakian powder factory, but that is not strictly in the Balkans. That is a little to the west of the Balkans. That is the only place I know of.

The Chairman. That they had bought an interest in those plants?

Mr. Casey. That was a commercial explosives factory, which also had military.

The Chairman. You have no knowledge, beyond what was developed here the other day, on that score ?

Mr. Casey. None at all.

The Chairman. It was that knowledge which prompted me to ask the question.

Mr. Casey. We have made practically no effort in the Balkans, because, whether this situation is true or not as described by Colonel Taylor, it is very evident that we did not seem to get to first base trying to do any business there. Whether that was the reason or not, I do not know, but the fact remains we have not sold them anything.

The Chairman. I read on in Mr. Taylor's letter, leaving out two paragraphs from where I left off [reading]:

> Selling a combined lot of ordnance and taking in hand the creation of a loan would have the best chance of success; sales to Vickers or Schneider have the second best chance of succeeding, and an attempt to sell powder directly to these Governments the least chance of succeeding.

Was any one of these proposals considered by the officers at the time that this suggestion was received?

Mr. Casey. No. I might add to that, in the case of Schneider it would have been almost impossible to have sold them because they got their powder from the French powder monopoly, a Government proposition.

The CHAIRMAN. I read on. [Reading:]

> I know this sounds like a story from the Arabian Nights and will probably be digested with difficulty at Wilmington, but it is as clear an exposure of the situation in the Balkans as I am able to make. Please think this over and tell me which line you wish me to pursue. If you don't feel like going into a loan of this kind, and don't know any bankers who would undertake it, it is possible that our best mode of operation would be this: That our agents in these countries do the best they can toward little sales and have me put in my time on the big munition companies in the western European countries. So far I have put all my efforts on straight selling to these countries, and I expect to get some results, but I don't believe that that method is going to bring us anything very big. I think, from what I saw in the Orient, that there are very great chances in favor of a war in the Near East and one must include the Balkans as being part of the Near East.

This is in 1922 that this is being written.

Senator POPE. Does Mr. Taylor work on a salary basis?

Mr. A. FELIX DU PONT. He works on a salary basis.

The CHAIRMAN (continuing reading):

> Those savage people don't know how to live without war and robberies. They have in the past been helped on a certain line of good conduct by fear of the military action of the great powers. Before the Anglo-Turkish incident there was still in the Orient a great fear of the western powers but the fact that both the French and the English refused to fight Kemal and are going to permit him to enter Europe, has given a tremendous blow to the European prestige in that part of the country. All the people are absolutely astonished. I saw Turks, Bulgarians, Greeks, and Serbians, and with one accord they say that the great powers are done for, that they are afraid to fight and add "We don't have to obey them any more."
>
> To maintain European prestige in those countries there was nothing to do but fight the Turks but as neither the French nor the British Governments felt it possible to ask their people to go to war, they simply have had to accept a tremendous moral defeat. The result will be that all those near eastern people will feel that the time has come to throw off the government of the great powers and if it does not lead to one enormous war, it will lead to a great number of small ones.

It would appear that Mr. Taylor had the picture pretty well in hand, because it was only shortly after he had written that the Turkish trouble developed, and indicates that he had been talking to pretty good authority.

Mr. A. FELIX DU PONT. He was over there studying the situation, and I suppose he learned what was pretty commonly known over there.

The CHAIRMAN (continuing reading):

> If we want to sell military powder to these people, we have got to hit on the proper plan and get busy in a concentrated way. All these people will probably buy fixed ammunition, and it looks to me as if a powder factory had a fairly small chance of selling directly to these countries. But the sales to these countries should be made by the big munitions people and perhaps our best plan is to concentrate all our efforts on these munition firms.

How are you selling in the Balkans at the present time? Direct or not?

Mr. A. FELIX DU PONT. We are not selling.

The CHAIRMAN. You are not selling anything at the present time?

Mr. A. FELIX DU PONT. No.

The CHAIRMAN. What is the situation since 1922?

Mr. A. FELIX DU PONT. Since 1922 we had agents, but they were unable to procure any sales which amounted to anything.

Mr. CASEY. I think my previous statement covered that. I think I said we found our methods were apparently unsuccessful.

Mr. RAUSHENBUSH. Who got the sales, Mr. du Pont?

Mr. A. FELIX DU PONT. I do not know.

Mr. RAUSHENBUSH. Who made the sales, Mr. Casey?

Mr. CASEY. I do not know. We have a list of them but they were made by different people, if they were made.

Senator POPE. But you did sell some small orders?

Mr. CASEY. No, sir; none at all.

Mr. A. FELIX DU PONT. I suppose Greece is in the Balkans. We made one sale to Greece.

Mr. CASEY. We made that in our regular fashion.

Mr. LAMMOT DU PONT. Mr. Chairman, you have read this letter in its entirety, and I would like to point out it is evident from the language that Colonel Taylor used that he expected this story to be repulsive to the company management. He refers to it as being difficult to digest in Wilmington. The whole tone of his letter implies that he was repelled by the conditions which he found in the Balkans and he expected the company's management to be equally repelled. Major Casey has pointed out, and I have tried to, that that repulsion was a fact. The particular letter in question was brought to the attention of the executive committee and was discussed with Mr. Felix du Pont and Major Casey, and a resolution was formally passed by the executive committee. If I may, I would like to read that resolution.

The CHAIRMAN. If you would like to insert it in the record, and have it with you, the committee would be glad to receive it. If it is not very extended, you might read it.

Mr. LAMMOT DU PONT. This is an extract from the minutes of a meeting on November 15, 1922, of the executive committee. The subject is "Sales in the Balkans." [Reading:] [1]

> Letter was received from Mr. A. Felix du Pont, general manager, smokeless-powder department, dated November 7, 1922 (No. 8418), enclosing copy of letter from Col. Wm. N. Taylor in connection with the above subject. Mr. du Pont and also Maj. K. K. V. Casey, of the smokeless-powder department, joined the meeting, and after full discussion, it was moved and unanimously carried that the above-mentioned letters be accepted and ordered filed, and that the smokeless-powder department be advised it is the desire of the executive committee that this company should not pay commissions directly or indirectly to Government officials, employees, or agents.

The wish of the executive committee in a matter of that kind is equivalent to a ruling.

The CHAIRMAN. What was the date of that action?

Mr. LAMMOT DU PONT. This extract is November 15, 1922, and refers to this particular letter.

The CHAIRMAN. Does Mr. Taylor represent your associates in the I. C. I. in any particular?

Mr. LAMMOT DU PONT. Under the joint selling arrangement Colonel Taylor did represent and sell for the I. C. I.

Mr. CASEY. Not at that time.

Mr. LAMMOT DU PONT. Not at that time.

The CHAIRMAN. Not at that time?

Mr. CASEY. The fact of the matter is that the selling arrangement which was entered into later did not mean Taylor's actions in the Balkans. That was handled by I. C. I. We never took over the whole proposition until the arrangement, I believe, of 1932, was it not? Yes.

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[1] Entered as "Exhibit No. 959" (see p. 2512).

Mr. RAUSHENBUSH. Do Vickers use I. C. I. powder?

Mr. CASEY. Vickers?

Mr. RAUSHENBUSH. Yes, sir.

Mr. CASEY. I could not tell you. I know we have heard of them getting powder from Coopal and others.

Mr. RAUSHENBUSH. The letter seems to be largely a commentary on Vickers actions there, and I was curious as to whether I. C. I. furnished them the powder in question.

The CHAIRMAN. You do not know whether they did?

Mr. CASEY. No; we really know practically nothing of Vickers activities, one way or the other.

Mr. LAMMOT DU PONT. I think I would like to point out again, Mr. Chairman, that in a letter of this kind from Colonel Taylor to his department, that the statements made in there are not endorsed, let me say, by the company.

The CHAIRMAN. I think that is quite evident from your minutes. Nevertheless, we have here rather a clear situation, it seems to me, the report of a situation, which finds itself engaged in the sale of munitions of war, quite ready to participate in the game of stirring up the hatreds and suspicions and fears of the people in those countries, all to the end that there might be profit flowing to the munitions industry.

Mr. LAMMOT DU PONT. That may be inferred from Colonel Taylor's letter, Mr. Chairman, but that does not make it a fact.

Senator CLARK. It seems to me that the letter at least is very illuminating, as being the report of an acute and trained observer, irrespective of the attitude of the du Pont Co.

Mr. A FELIX DU PONT. I disagree with you there, Senator Clark, that he was a trained observer. He was going out into what was, to him, virgin territory; and when a person goes to those countries they meet with all kinds of people and talk with them, and the information received from that kind of people is, I think, rather more likely to be incorrect than correct.

Senator CLARK. How long had Colonel Taylor been in your employ, Mr. du Pont?

Mr. A. FELIX DU PONT. He had been in our employ in a commercial way for, oh, I think, 5 or 6 years before that.

Senator CLARK. He had been stationed in Europe, had he not?

Mr. A. FELIX DU PONT. Almost entirely in France.

Senator CLARK. And he had written you voluminous reports as to conditions in different countries?

Mr. A FELIX DU PONT. I think not.

Senator CLARK. We have had a great many in evidence here.

Mr. A FELIX DU PONT. Prior to 1922?

Senator CLARK. Some were prior to 1922 and some were subsequent to 1922.

Mr. A. FELIX DU PONT. I think very few of them were before 1922.

Senator CLARK. Colonel Taylor is still in your employ?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. You did not discharge him as a result of this communication?

Mr. A. Felix du Pont. Certainly not; because he was simply writing his findings.

The Chairman. Now, according to the findings, Sir Basil Zaharoff was outbidding the Greeks at that time. Do you know whether or not that was true?

Mr. A. Felix du Pont. I do not know. We never had any contact with Sir Basil Zaharoff whatever.

The Chairman. It was at this time that the French were outbidding Kemal's Turkish Army. I was wondering if you might have any knowledge of the activities of the sales at that particular time.

Mr. A. Felix du Pont. No.

The Chairman. The du Ponts had no knowledge at that time?

Mr. Casey. None whatever.

Mr. Lammot du Pont. Not to my knowledge.

Mr. Casey. The only thing we got was from the newspapers.

The Chairman. All this was just prior to the Turkish-Greek War, and it would appear that the British were arming the Greeks for 50 percent commission and the French were arming Turkey. In the light of that experience and in the light of the profit which flowed, I wonder if there could be really much occasion to be wondering why there was a conference in 1925 which resulted in anything but failure. Surely the British and French munitions makers, in the light of what they had done in Turkey and in Greece at that time, would not want any agreement entered into which might restrict what they were doing in those fields, I am sure.

Mr. Lammot du Pont. Senator, we have no right to state what the manufacturers of munitions in Europe have done or said. We know that we had no part in the disarmament conferences. Is it not fair to assume that they had no part either? It is true some of our newspaper reports and some of the information which Colonel Taylor picked up would indicate otherwise. We have no assurance whatever that the information Colonel Taylor picked up was authentic or true.

The Chairman. You mean in connection with that 1925 conference?

Mr. Lammot du Pont. Yes, sir; or any other conference.

The Chairman. Is it not true that your company did participate in the conferences that were held prior to the departure of the American delegation to the Geneva Conference?

Mr. Lammot du Pont. We participated in a conference called by the Department of Commerce at the request of the Department of State, but we did not——

The Chairman. I am going to deny very emphatically here this morning that that was at the request of the Department of State.

Mr. Lammot du Pont. I was referring to the telegram which was read into the record.

Senator Pope. What telegram?

Mr. Lammot du Pont. I think there was a telegram read into the record to that effect.

The Chairman. That was a press dispatch.

Senator Clark. You were referring to the press dispatch which Senator Vandenberg read?

Mr. Lammot du Pont. It was a telegram.

Senator CLARK. It was a newspaper flimsy. He was reading a statement made by Mr. Hoover to the press.

Mr. LAMMOT DU PONT. It was a telegram.

Senator CLARK. Not the one which Senator Vandenberg read into the record. It was a United Press flimsy.

Mr. LAMMOT DU PONT. I might have been in error. It looked like a telegram to me.

The CHAIRMAN. Mr. Felix du Pont, as relates to your contacts, is the acceptance of graft confined to the Balkan countries, or does it prevail in other territories in which your company is selling powder?

Mr. LAMMOT DU PONT. Senator, might I interrupt a moment, to finish the answer which was interrupted by this question, as to the telegram?

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. We did not participate in the Geneva Conference. That was a statement which I wished to make. I think that your question inferred that we had. We had not participated in it.

The CHAIRMAN. No; but you did participate in the conferences which were held here?

Mr. LAMMOT DU PONT. At the request of the Government.

The CHAIRMAN. All right, let us put it that way.

Mr. LAMMOT DU PONT. At the invitation of the Government.

The CHAIRMAN. The conferences called by agencies of the Government. You did participate in those?

Mr. LAMMOT DU PONT. Yes, sir.

The CHAIRMAN. At which were present the representatives of the munitions industry, secretaries, and delegates who had been named to the Geneva Conference?

Mr. LAMMONT DU PONT. I am not sure that the delegates were present.

The CHAIRMAN. I think the record is very clear on that.

Mr. LAMMOT DU PONT. The conference called by the Department of Commerce, to which we were invited, the first such conference, the delegates were not present.

The CHAIRMAN. At the first one?

Mr. LAMMOT DU PONT. You will recall that a committee was appointed to meet later when the delegates could be present?

The CHAIRMAN. But a second conference was held?

Mr. LAMMOT DU PONT. Yes, sir.

The CHAIRMAN. At which they were present, these men who had been delegated to the Geneva Conference.

Mr. LAMMOT DU PONT. Yes, sir.

The CHAIRMAN. Now, Mr. du Pont, these practices which Colonel Taylor has led us to believe were necessary to resort to in the Balkans, are those practices confined alone to the Balkans?

Mr. A. FELIX DU PONT. No; I think in speaking of it a short while ago I said then I believed that those practices in general trade in the Orient, meaning the whole Near East and Far East, that they are looked upon differently from the way they are in this country, and I have been told are necessary in order to carry on trade in those countries.

METHODS OF DOING BUSINESS—POLAND

The CHAIRMAN. Who is William H. O'Gorman?

Mr. A. FELIX DU PONT. He was the assistant director of sales of my department. He is now dead. He was assistant to Casey.

The CHAIRMAN. I would like to ask as to the meaning of this letter addressed by Colonel Taylor to Mr. William H. O'Gorman, dated January 18, 1928, in connection with your negotiations in Poland [reading]:

> I am now working on a proposal to help Zarorzdon, in return for which we are to get 300 tons a year for 12 years. There is one aspect of this negotiation on which I must know exactly where I stand, and that is, in order to get this we will have to pay 7 percent commission, of which 2 percent must be paid in its entirety the day of the signing of the contract. If I can promise this, I have a good chance of getting away with this order. Cable me firm answer.
>
> Sincerely yours,
>
> WILLIAM N. TAYLOR.

That will be offered as "Exhibit No. 949."

(The letter referred to was marked "Exhibit No. 949" and appears in full in the text.)

The CHAIRMAN. What is the meaning of that, Mr. du Pont?

Mr. A. FELIX DU PONT. I do not know.

The CHAIRMAN. Did Mr. O'Gorman consult you at the time?

Mr. A. FELIX DU PONT. I do not remember if he did. I do want to mention, however, that this is one of those sales propositions that never came through. Is not that correct?

The CHAIRMAN. Whether or not it came through, you gave your consent to it, did you not?

Mr. RAUSHENBUSH. What was Major Casey's answer to your question?

The CHAIRMAN. Had he directed a question to Major Casey?

Mr. CASEY. It is a question of the date.

Mr. A. FELIX DU PONT. Three hundred tons a year for 12 years.

Mr. CASEY. No; that never came through. Zarorzdon was the Polish powder plant.

The CHAIRMAN. What was the thought there involving the necessity of paying 2 percent of this commission, of this 7-percent commission, on the day of the signing of the contract?

Mr. CASEY. That is because the agent, a man by the name of Klawe, said he could not possibly get along with a 5-percent commission, and other expenses of his office, the financial adviser he had to use, and that he was put to considerable expense because he had to pay this fellow who was his financial backer.

Senator CLARK. He had to pay that 2 percent on the whole 12-year contract?

Mr. CASEY. Yes, sir; because the banker was through when the deal was terminated.

Senator CLARK. The banker was not taking any chances.

Mr. CASEY. You bet your life he was not. Not if he was a banker. He wanted that 2 percent. In other words, he had to pay this 2 percent to the banker, and I felt it was only fair to him that we should anticipate his commission to the extent of 2 percent, so that he could get rid of that obligation.

The CHAIRMAN. I offer as an exhibit a letter dated February 3, 1928, addressed to Colonel Taylor by Mr. O'Gorman, which will be "Exhibit No. 950."

(The letter referred to was marked "Exhibit No. 950" and is included in the appendix on p. 2597.)

The CHAIRMAN. I read from it [reading]:

> You may be sure in the event that you conclude a deal along the lines indicated in your letter of January 18, that I will promptly remit by cable the amount involved to pay the 2 percent commission, so that there will be no delay.

Mr. CASEY. I think that matter has pretty well been covered, the reason for that immediate payment.

The CHAIRMAN. That contract did not ever materialize. However, an exactly similar arrangement had previously been negotiated, had it not?

Mr. CASEY. About the same time we got a contract from Poland for a thousand tons, somewhere around 1927 or 1928.

The CHAIRMAN. I offer "Exhibit No. 951", which is a letter to Colonel Taylor by Mr. O'Gorman, under date of July 3, 1928.

(The letter referred to was marked "Exhibit No. 951", and is included in the appendix on p. 2597.)

I read from it [reading]:

> In regard to advance of 2 percent on agent's commission on new order, this matter can be handled exactly the same as we did on the 1,000-ton contract so that the money will be available upon receipt of telegraphic advices from you. You may rely upon me to personally take care of this matter so that the funds will be placed to Mr. Klawe's credit within 48 hours after receipt of telegraphic advices from you.

Now, the question, who was Mr. Klawe?

Mr. CASEY. He was our agent in Warsaw.

The CHAIRMAN. Two percent involves in this particular contract a sum of about $30,000. Is it customary, Mr. Felix du Pont, to advance such sums to your agents on the day contracts are signed, when the prospects for payment are so far in the future? Is that a customary practice?

Mr. A. FELIX DU PONT. No; I do not think it is. I think those things are judged according to the conditions when they are brought up.

The CHAIRMAN. What induced you to make an exception, then, or to make that advance in this particular case?

Mr. A. FELIX DU PONT. Just on the information we had, we thought we would do as Colonel Taylor recommended.

The CHAIRMAN. Is it not likely that Mr. Klawe had to pay some key man before this contract could be finally entered into?

Mr. CASEY. Senator Nye, I do not think so. I would like to give you an illustration of our contact with the Polish inspectors that came over here in connection with the thousand-ton contract.

In order to avoid the slightest semblance of any irregularity on their part, they would not accept from us an invitation, "Let's go down and have lunch." They would say, "Yes, if you will have lunch with me tomorrow."

That was their attitude all the way through. And they not only took that attitude, but we felt they were sometimes leaning over backwards to avoid any accusation, whatsoever, that they accepted any favors of any sort from us that they did not promptly return.

With that atmosphere, I do not see where there is the slightest idea that we could possibly have had that there was going to be anything in the slightest degree irregular.

Senator CLARK. Who paid the expenses of that Polish commission, Major?

Mr. CASEY. They did; the Polish Government.

The CHAIRMAN. You do not think that the payment of this commission involved the necessity of Mr. Klawe's paying others before the deal could be finally put through?

Mr. CASEY. I do not believe so.

Mr. LAMMOT DU PONT. Mr. Chairman, you will recall that the resolution of the executive committee addressed to the smokeless-powder department was earlier than this proposed contract. The smokeless-powder department was well aware of the attitude of the executive committee. They knew that a contract of this size would have to come to the attention of the executive committee. It was entirely unreasonable that they should have had in mind any provision of the kind that you suggest.

The CHAIRMAN. I offer now "Exhibit No. 952", a letter dated May 20, 1930, by Mr. O'Gorman to the Parlin plant, industrial finishes division, export department. Evidently Mr. J. H. Frechen of that department had made inquiry concerning this particular deal. He says [reading]:

> In reply to your letter of May 14 and confirming our telephone conversation on the above subject, we are glad to advise that Mr. Klawe has been agent for the military sales division in Poland for the past 6 years, during which time he was successful in obtaining for us orders from the Polish Government for large quantities of smokeless powder. Some of the sales were made on a cash basis, others on credit extending over a year and a half, and on the last contract, which was for 1,000 tons of powder, payments extended over a 3-year period.

I jump over the next paragraph [reading]:

> Mr. Klawe's commission on the above-mentioned contract was 7 percent or approximately $126,000. Upon signing of the contract, even before we received the Polish notes, we made an advance payment of commission to Mr. Klawe of $30,000.

He got his 2 percent even before the deal was finally closed?

Mr. LAMMOT DU PONT. No, sir; that is not correct.

(The letter referred to was marked "Exhibit No. 952", and is included in the appendix on p. 2598.)

Mr. CASEY. No; before we got the first notes.

The CHAIRMAN. Even before the notes were signed?

Mr. CASEY. Yes; but not before the deal was closed.

Mr. LAMMOT DU PONT. He does not say before the notes were signed, either, Mr. Chairman. It says before we received the Polish notes.

The CHAIRMAN. I see.

Then we go to the last paragraph on that page [reading]:

> In dealing with the Polish Government you are rather fortunate to have Mr. Klawe as agent as he is a man who is very well connected and thoroughly understands what must be done in order to secure business. He is very trustworthy, and I suggest that you follow his advices so far as the obtaining of Polish Government business is concerned.

What are Mr. Klawe's connections, referred to here?

Mr. CASEY. He is looked on in Poland as a man of unusually high standing, and, by the very nature of things, he is accepted as a man of integrity, and therefore a man that the Government feels they can deal with. I consider that we were fortunate in getting him as our agent.

Senator Pope. Outside of his agency for you, what was his business, his general profession?

Mr. Casey. I think Mr. Bradway can answer that, because he has met Klawe and has had dinner with him.

The Chairman. Please come forward, Mr. Bradway.

Mr. Bradway, have you been sworn?

Mr. Bradway. No.

TESTIMONY OF F. W. BRADWAY

(The witness was duly sworn by the chairman.)

The Chairman. The question has been asked and the point has been made that you perhaps could tell us more about Mr. Klawe, your representative in Poland, than anyone else could. What do you know of him?

Mr. Bradway. He is a mechanical engineer, as I recall it, and he had had to do with the construction of several manufacturing buildings in both Warsaw and in St. Petersburg—that was prior to the war, in St. Petersburg—and he had a sort of a small factory there where he refinished automobiles. In general he was quite highly respected by the people in Warsaw.

Senator Pope. What is your present position?

Mr. Bradway. I am assistant general manager of the smokeless-powder department.

Senator Pope. Of the du Pont Co.?

Mr. Bradway. Yes; smokeless-powder department.

The Chairman. Is it the custom to pay as much as 7 percent commission on that business in Poland?

Mr. A. Felix du Pont. I think that the amount of the commission is in a general way dependent upon the question of whether you have to find an agent who can do the job for you and get the orders for you. If you cannot do it yourself, you get an agent who can, and the question of whether you can do it or not yourself very much decides the amount of the commission the agent gets.

The Chairman. Have you had to pay higher rates, higher commissions than that in connection with any of your sales?

Mr. A. Felix du Pont. I could not answer that. I am not sure.

The Chairman. Mr. Casey?

Mr. Casey. I think 7 percent would represent a little higher than average. There may have been exceptions to that, but you must realize this: The payment of a commission to an agent is very much more economical from our viewpoint than for us to establish a branch office for the sale of military material in any country. I think it does not take very much thought to realize that.

Senator Clark. In other words, you do not have to pay any permanent overhead or salaries?

Mr. Casey. Yes.

It is necessary that somebody be there all the time. It is not like a commercial proposition, where there might be a broadcast that they are going to build a bridge, and everybody can rush there to see that they have a chance to bid. You never know at what moment any government may decide, "Well, now, this is the time we ought to buy something." So the man who is right there on the job, practically, you might say, almost in the capacity of being a branch office, except we have no control over him, is much cheaper to have. In other words, if we had to do business throughout the world or try to do business by having branch offices, we would probably be in the business about one year and quit. It would be costing us too much.

Mr. RAUSHENBUSH. Have you ever paid commissions higher than 7 percent?

Mr. LAMMOT DU PONT. Mr. Chairman, I think I can answer that question from the standpoint of general business.

The CHAIRMAN. Will you, whoever can answer it?

Mr. LAMMOT DU PONT. I would like to answer it from that standpoint.

The CHAIRMAN. All right.

Mr. LAMMOT DU PONT. Certainly there is no fixed amount for a business commission. They run anywhere from one-eighth of 1 percent, the usual brokerage in stock transactions, up to as high as 30 or more percent in commercial goods selling. The ordinary commission for an automobile dealer agency is 25 percent.

The CHAIRMAN. On the sale of powder, do you mean to say that you have paid commissions as high as 30 percent?

Mr. LAMMOT DU PONT. I do not think so; no, sir.

Mr. CASEY. No.

The CHAIRMAN. In what instances have you paid more than 7 percent?

Mr. CASEY. I think we may have paid or offered to pay at least 10 percent, possibly 15. But you must realize this, that the question of how much commission depends to a great extent on the agent. Some agents will say, "We cannot afford to take this proposition on for any 5-percent basis, because the amount of business is going to be so small it will not even pay us to carry on negotiations."

On the other hand, as to some other nation, it might be a case where the man would say, "Why, yes; 5 percent is all right with me. I will get by with that."

So as to the question of saying there is any fixed agency price, that is entirely dependent on the type of man you get for agent and the nation he is selling to.

There is another side, Senator. We naturally try to restrict the amount paid in commission, because whatever is paid in commission is added and above our base price, and therefore, any increase in commission means it puts our price that much higher, which makes it bad from the standpoint of competition. So we are on our part doing our best to keep the commission as low as possible, and at the same time the agent is doing his best to get the commission as high as possible.

Senator CLARK. How much would be the commission involved in this Polish contract that Senator Nye was talking about, 7 percent on 3,000 tons for 12 years?

Mr. CASEY. No; on a thousand tons.

Senator CLARK. No; but the other proposition that I understand was never consummated.

Mr. CASEY. Oh, the other proposition? You see, there would have been a 12-year contract, 300 tons a year.

Senator CLARK. Three hundred or three thousand?

Mr. CASEY. Three hundred tons a year. We could not produce 3,000 tons a year.

Senator CLARK. How much was involved? I was just trying to get an idea of the size of the commission involved on that Major.

Mr. CASEY. You are asking me to do some mental gymnastics here.

Senator CLARK. I thought you would be familiar with the subject.

Mr. CASEY. No. We never went any further, to figure out what it would be.

The CHAIRMAN. Mr. O'Gorman's figure on that was $1.846,000.

Senator CLARK. That was on the thousand tons.

The CHAIRMAN. For your information, the total sales price of the thousand tons of smokeless powder amounted to $1,846,000.

Mr. CASEY. Yes.

Senator CLARK. You can figure the commission on that.

The CHAIRMAN. That commission would figure $168,000.

Mr. RAUSHENBUSH. Mr. Casey and Mr. Bradway, were there any other instances where an arrangement like this of a 2-percent commission or a definite part of a commission had to be paid on the very day the contract was signed?

Mr. CASEY. I do not know that there was in this particular case, you see. It involved credit, the credit to be, you might say, in the form of Polish notes. That required the services of a local banker who knew the situation as to the Polish method of finances. Therefore, this banker was put to a tremendous amount of work to investigate the whole thing before we were willing to accept those notes. We had to get some local banker's opinion.

Mr. RAUSHENBUSH. Do you have any reports from Mr. Taylor referring to that banker? We do not seem to have run into them at all.

Mr. Bradway, while Mr. Casey is looking for that, can you answer from your memory on that matter: Were there ever any other instances where a part of the commission had to be paid on the very day of the signing of the contract?

Mr. BRADWAY. I cannot recall that.

Mr. RAUSHENBUSH. It was a somewhat unusual case.

Mr. CASEY. Mr. Raushenbush, it would not be at all out of the ordinary for a proposition of this sort, where the contract provided that the agent's commission is not paid until the notes had been paid, and not when the notes are received by us, but the notes have been paid. In the meantime, this thousand-ton proposition had been worked on for several years before it was finally brought to a conclusion.

The CHAIRMAN. Did Klawe do the work?

Mr. CASEY. He did the work.

Senator CLARK. The 2 percent that had to be paid cash on the barrel head on the day of signing the contract did not have to do, if I recall it, with the thousand-ton transaction?

Mr. CASEY. It had to do with the thousand-ton likewise.

Senator CLARK. You had to pay the commission?

Mr. CASEY. We had already paid it at the time this 12 years developed.

Senator CLARK. And this other one was to be based on the same?

Mr. CASEY. It was simply a duplication of it.

You just take the position of an agent. Here he is getting a commission and nothing else. After he has done a certain amount of work, some of these agents say, "I would like to have half my commission", because after all, when the contract is signed you might say the agent's job is done, isn't that true? He has negotiated the contract to the extent of where our own man then can go in and sign. Now, really, his work is done. Except in this case, Klawe also had to help us in seeing that the notes that were called for under the terms of the contract were sent out at the proper time. So he in reality had a continuing job. Whereas ordinarily an agent's or a salesman's job on a particular piece of business is completed when the contract is signed. In a great many cases you will find that agents are paid their commissions in full when a transaction is closed.

Mr. RAUSHENBUSH. What cases do you mean, your company?

Mr. CASEY. I mean the commercial business, in commercial business.

Mr. LAMMOT DU PONT. The usual architect's commission is paid one-third on completion of the plans.

Senator CLARK. That is because he has done a third of the work.

Mr. LAMMOT DU PONT. The agent had done his work in this powder case.

Mr. RAUSHENBUSH. The reason for this line of questioning, Mr. Chairman, is that we had a good deal of these advance commissions in the case of another company, the Electric Boat Co., so I was interested in tracing them down.

Mr. CASEY. Mr. Raushenbush, you are questioning du Pont now, are you not, not another company?

Mr. RAUSHENBUSH. We do not know what this means, Mr. Casey.

The CHAIRMAN. You do not have direct knowledge of having paid more than 7 percent for powder sales, do you?

Mr. CASEY. No. I do not have any direct knowledge at the moment. It may be that we did, but if so, it was on a very small piece of business.

The CHAIRMAN. Is there any significance in the language which Mr. O'Gorman uses in this memorandum from Mr. Frechen, when he says of Mr. Klawe that—

> He is a man who is very well connected and thoroughly understands what must be done in order to secure business?

Mr. CASEY. I do not think there is the slightest bit of significance in that at all. You must realize that this was a letter being sent from one department to another department.

The CHAIRMAN. That is right.

Mr. CASEY. We felt that Klawe was a good man for us, and we were trying to make as good a case as possible for Klawe for this other department, because it had this advantage to us: If Klawe likewise had an agency for another branch of the company, then we would keep him more contented.

We had from our agents requests such as, "Well, won't you give us a retainer, because we go along year after year, and no business." In some cases we have to pay a nominal sum, of $25, $50, or $100 a year, so that they will pay the expenses of keeping their files. They say, "Why, we do not get enough even to pay the expense of keeping our files up and our correspondence."

Senator CLARK. Klawe has been pretty well paid, Major. The commission on this one transaction of a thousand tons ran about one-hundred-and-eighty-some thousand dollars.

Mr. CASEY. How many years has he worked?

Senator CLARK. I do not know.

Mr. CASEY. That is the way you have to look at it.

Senator CLARK. That seems to be fair compensation.

Mr. CASEY. You take the amount of work he has done for a period of we will say 10 years, if you like, and he has gotten this order, which gave $180,000.

Senator CLARK. At that figure you are not going to the poorhouse.

Mr. CASEY. Let us admit that. But is not the man who does the work entitled to his reward?

Senator CLARK. Yes; but you were talking about his being dissatisfied. I say he is doing pretty well.

Mr. CASEY. The fact remains that since that time we have not done any business with Poland.

The CHAIRMAN. Prior to this 1928 sale, how long prior to that had Mr. Klawe been recognized as a representative in Poland?

Mr. CASEY. I could not say the exact date, but I would say at least 3 or 4 years and possibly more.

Mr. A. FELIX DU PONT. Senator Nye, there was no sale in 1928.

The CHAIRMAN. 1927 was the sale.

Mr. BRADWAY. He had been our agent for at least 3 or 4 years prior to that.

Mr. CASEY. Three or four years; I am not quite sure.

The CHAIRMAN. Can you say that Mr. Klawe negotiated this deal without the resort to any payment of graft?

Mr. CASEY. I can never say that any man negotiates a deal and say that I know positively that he has not. That is beyond me.

The CHAIRMAN. But it has not been made?

Mr. CASEY. But there has not been the slightest knowledge on our part that any such thing was necessary, because in the first place, Klawe was looked on as a man of such integrity that we would not suspect it.

The CHAIRMAN. That is not true as respects some other places or sales, is it? You do have knowledge that graft is necessary in connection with some sales?

Mr. CASEY. I would not even say that. We sometimes suspect, but that is a thing that we may be absolutely unjust about, suspicion.

METHODS OF DOING BUSINESS—CHINA

The CHAIRMAN. Did you not do more than suspect as relates to your negotiations in China?

Mr. CASEY. Then we found out.

The CHAIRMAN. Then you found out?

Mr. CASEY. Yes.

The CHAIRMAN. So it is not a matter of suspicion there?

Mr. CASEY. No. I am trying to tell you to the best of my knowledge how we look at these things.

The CHAIRMAN. You have done considerable business, Mr. Casey, in China.

Mr. Casey. From the time of lifting the embargo I think over a period of 3 or 4 years, we did probably an average, I will say—what was it, about?

Mr. Bradway. $800,000, total.

Mr. Casey. $200,000 or $300,000 a year.

The Chairman. In these negotiations in China and other dealings with a Colonel de Fremery—who was De Fremery?

Mr. Casey. De Fremery, as he came to our attention through Mr. Van Veen, who was our agent in Holland—he advised us that Mr. de Fremery was going over there to advise the Chinese Government on ordnance matters.

The Chairman. He was originally from where?

Mr. Casey. I understand from Holland. Whether he is a Hollander I do not know, but the name might indicate otherwise.

The Chairman. I have before me excerpts from a letter written by Mr. O'Gorman to the circulation manager of the du Pont magazine, saying of Colonel de Fremery this:

> Colonel De Fremery is a Dutch officer working under contract with the Chinese Government as an adviser.

Mr. Casey. That is right.

The Chairman. You understand him to be that.

I offer "Exhibit No. 953", cable dated September 23, 1929, to Col. W. N. Taylor.

(The letter referred to was marked "Exhibit No. 953", and appears in full in the text.)

The Chairman. I read:

> Cable No. 660: Following telegram has been received from N. E. Bates: Would suggest we do not pay any other commissions except 7.5 percent Preston, Wills, Dyestuffs, Wilmington. du Pont Dyestuffs Office, Shanghai, China, will advance all prices at plant 5 percent for distribution as follows: 4 percent Chinese Army, Nanking; 1 percent Col. de Fremery. N. E. Bates does not know of any good reason for payment commission by Col. W. N. Taylor. Unless there is good reason to contrary we will advise N. E. Bates to settle definitely on the basis quoted.

Who can tell us the meaning of that?

Mr. Casey. This was an arrangement made by Bates after he got over there in China. It was brought out the other day that we had severed our connection with I. V. Gillis. Because of the embargo in China we felt there was no chance for him, since we really had hung onto him year after year with the idea perhaps that the embargo might be lifted. I think that a few months after we severed our connection with Gillis, the embargo was lifted. When we tried to get Gillis back we found that he had made some other connection. The result was we were looking for a new method of getting into China, when this opportunity arose in Europe through Van Veen. The very first arrangement was that Van Veen insisted that he should have 8 percent. and out of that 8 percent he was going to take care of De Fremery. Then we later learned from the Chinese Government that they did not want to do business through intermediaries, that they wanted to do busines direct. I think that came out the other day.

We had in Shanghai an office of the dyestuffs department of the du Pont Co., so we asked Dr. Noelting if he would take care of the matter for us.

Then we were up against this proposition: The dyestuffs department said, "Yes, but this is going to cost us money." We were going to face the proposition of paying Van Veen 8 percent, which took care of De Fremery, and also from the smokeless powder department paying into the dyestuffs department a certain amount, which all meant boosting our price.

So when Bates got over there he found that De Fremery would be satisfied with 1 percent. The dyestuffs people thought that in order to pay them and have them break even on the handling of this business they required 7½ percent. That is our own office. And when Bates said he could not see any occasion for payment of commission by Taylor, he meant he could not see any reason why we should pay any commission whatsoever to Van Veen. So this arrangement then went into effect. The reason for putting aside 4 percent was because we were—as brought out by Mr. Felix du Pont a few moments ago—practically told that that was an old Chinese custom.

The CHAIRMAN. The 4 percent that was paid to the Chinese Army of Nanking, who was that paid to?

Mr. CASEY. I do not know. I never did know until that other letter indicating by name a couple of officers, which was brought out at the hearing in September.

The CHAIRMAN. But De Fremery, who was a Dutch officer working under contract with the Chinese Government as an adviser, also got a percentage?

Mr. CASEY. He got 1 percent.

The CHAIRMAN. Have you paid commissions to other Chinese officers, army officers?

Mr. CASEY. Whatever was paid under this 4 percent; that is all I know of. I do not even really know whether the payments were made, to whom, or how, but the money at least was set aside by the budget.

The CHAIRMAN. I offer "Exhibit No. 954", which is an excerpt from a letter dated December 27, 1929, to the circulation manager of the du Pont magazine by Mr. O'Gorman. That letter makes reference to Dr. C. Y. Wang.

(The letter referred to was marked "Exhibit No. 954", and is included in the appendix on page 2599.)

I read:

> Dr. C. Y. Wang is a chemical engineer in charge of dyestuffs demonstration in our Shanghai office, but since Dr. Wang is also engaged in military sales work, the du Pont Magazine would be of value to him, as he is in constant touch with government officials.

What is this we are hearing of more recent days concerning Dr. Wang's present predicament?

Mr. CASEY. Somebody else can probably tell the story better than I can on that. I just heard the rumor.

The CHAIRMAN. Is it any more than rumor, this story that he has been arrested and is about to be executed?

Mr. CASEY. I could not tell you, Senator.

Mr. LAMMOT DU PONT. I had not heard of that, Senator. C. Y. Wang is not in the company's employ and has not been for some time.

The CHAIRMAN. Since when?

Mr. LAMMOT DU PONT. I think since 1932.

The CHAIRMAN. Is there anyone present who has heard anything more than mere rumor along that line?

Mr. CASEY. I was just handed this memorandum and I am trying to make it out. This is evidently a message from the back of the room. It says here that he is going to be hung.

The CHAIRMAN. Is there anyone here in connection with the du Pont industry, their attornys or others, who has any direct information concerning Dr. Wang's difficulties? There has been a very persisting story, emanating, I understand, from one of the counsel for the du Ponts, that that was the case. In any event, in light of the record that has been made, it would seem that if there be foundation for the story that is being told it seems rather unfair that Dr. Wang should be one or the only one punished for what we understand to be the occasion for his punishment.

Is it a common occurrence, as you understand, Mr. Casey, in China, to pay these commissions to Chinese officers of the Army?

Mr. CASEY. I have never been in China, so therefore, I have no first-hand information. But I recently read a book, "Oil for the Lamps in China"—I imagine a great many of you men have read that book—and all through it is this question of the squeeze.

The CHAIRMAN. This question of the what?

Mr. CASEY. Of the squeeze. But in addition to that, I have heard from people who have been there that there has always been a custom of exchanging presents. In other words, when New Year's comes, or some other ceremonial occasion, people doing business with one another will exchange presents.

Now, this, of course, is all hearsay. I understand that sometimes foreigners going over there trying to do business have been very much embarrassed by having a very handsome gift come to them, in the form of a piece of Chinese jade, or something of that sort, and they don't know what in the world to do with it. If they try to return it, they have made a deadly enemy of the man who has been a customer of theirs, and it is the customer buying from them who is giving the present to the man selling to him. But he will make a deadly enemy if he refuses that gift, so the man feels he cannot refuse the gift.

The CHAIRMAN. Is the man buying sometimes made the recipient of a gift, a New Year's gift?

Mr. CASEY. He is very apt to be. Of course, that is hearsay, as I say. I have never been in China.

The CHAIRMAN. I offer "Exhibit No. 955," a letter to Mr. O'Gorman, unsigned, dated December 29, 1930.

(The letter referred to was marked "Exhibit No. 955", and appears in full in the text.)

The CHAIRMAN. I should like, first of all, to have identified the author of that letter. It is initialed J.W.S.

Mr. CASEY. J. W. Squirrel.

The CHAIRMAN. Who is he?

Mr. CASEY. He is an assistant in I.C.I.'s office in New York.

The CHAIRMAN. Can you tell where the letter was written from?

Mr. CASEY. I imagine from New York. There is nothing here to indicate, however.

The CHAIRMAN. Oh, yes; it is indicated up at the top here. It is written from 19 West Forty-fourth Street, New York, December 29, 1930.

This letter would make it appear, Mr. Casey, that your British friends, the I.C.I., at least hint that you have obtained business in China, and this in spite of price cutting by the Bofors, with the element of graft. Let us read the letter, "Exhibit No. 955":

> In your letter of November 20 you advised that you had secured an order for rifle powder from the Chinese Government at the price of $2.10 per kilo, presumably c.i.f. Chinese port, against Bofors' quotation of $1.25 per kilo f.o.b. European port. You indicated that you secured the business on the basis of service and the quality of your product. We, of course, admit the possibility of this argument being successful in some instances over lower competitive prices, but the margin between the two figures given is so wide that we are wondering whether there were not some other considerations. For instance, we think that it is not at all unusual to have to give away large commissions in China in order to secure business.
>
> In the absence of orders from the British Government, I.C.I. have to depend on getting business from other sources, in order to keep their factory employees up to the mark. They are not willingly following the prices established by Bofors, but they do not see how they can get business by any other means. In your case, of course, circumstances are different in that you receive large orders from the United States Government.

Senator POPE. Who is this man?

Mr. CASEY. Squirrel?

Senator POPE. Yes.

The CHAIRMAN. He is of the I.C.I.

Senator POPE. An agent of the I.C.I.?

Mr. CASEY. No; he is one of their representatives in this country.

Senator POPE. In this country?

Mr. CASEY. Yes.

The CHAIRMAN. Mr. Casey, what is the deduction to be drawn from this letter?

Mr. CASEY. I think in the first place that Squirrel's deduction was incorrect, to the extent that it was trying to explain how we were able to sell when they were not. I am referring now to I.C.I.

The CHAIRMAN. Yes.

Mr. CASEY. That statement that we made the sale on the basis of service and quality was absolutely correct. There was no such figure as this Bofors' quotation. Now, you have got to take the distinction there between c.i.f. and f.o.b., as referred to by Senator Clark the other day. I believe that Bofors' price c.i.f. would have been 25 or 30 cents a kilo higher, on account of ocean freight and transportation. But ours represented a c.i.f. price.

The CHAIRMAN. Even so, that would have left a difference of about 80 cents.

Mr. CASEY. But that price that Squirrel refers to of Bofors did not exist at the time we got the order. Now, what we understood was—and we afterwards heard it to be the fact—that every time Bofors heard we had gotten some business that they had not gotten, they would go to some official and say, "You were foolish to give them that business at that price. We would have given you that powder at a good deal less." Bofors was not selling powder at that time. Later on, when the world became a little chaotic on account of England going off the gold standard, our prices in dollars remained the same, but in comparison with European prices they were way out of line. At one time we understood that Bofors were offering powder in China at $1.12½ a kilo, but they could do that without lowering their price, on account of the exchange.

The CHAIRMAN. Now, what part of your price that you obtained in connection with that order was for graft?

Mr. CASEY. That 4 percent referred to, and that was all.

The CHAIRMAN. In addition to the 4 percent, there were other rewards, were there not, such as your New Year's presents plan that you just suggested?

Mr. CASEY. Anything that came there was in that 4 percent.

The CHAIRMAN. Your director of sales for China recognized the necessity for gifts at New Year's, Chinese New Year's?

Mr. CASEY. As I say, that was set aside for gifts or of whatever nature that might be.

Mr. A. FELIX DU PONT. Senator Nye, might I state that you put in the record or called it our New Year's plan. We made it very clear that that is a Chinese New Year's plan.

The CHAIRMAN. All right.

I have before me a letter addressed to E. I. du Pont de Nemours & Co. by F. A. M. Noelting, director of sales for China, written August 22, 1929, which I offer as " Exhibit No. 956."

(The letter referred to was marked " Exhibit No. 956 " and is included in the appendix on p. 2599.)

The CHAIRMAN. I will read only a sentence from it on page 2.

> Anyway, presents will have to be given to various parties at China New Year's and the overprice we get can be used for this purpose.

Mr. CASEY. Doesn't that indicate just what I said?

The CHAIRMAN. You think that is covered by the 4 percent?

Mr. CASEY. Yes. In other words, there was nothing given in the nature of a New Year's present in addition to that 4 percent. If presents were given, that was deducted from the 4 percent.

Now, I might add that at the time this proposition came in, this was an explanation as to why they wanted us to advance the price, to take care of that 4 percent. It was a question indicated in this letter that this was for New Year's presents. It was not until later that we got an indication that there was an actual cash transaction.

I might at that point just bring out this: That the question as to the responsibility of approving of that action put me in a very awkward spot. This Shanghai office was the office of the dyestuff department, an entirely different department. When I later learned that this was a proposition which I felt violated the resolution of the executive committee as of 1922, I said to myself, " Well, now, it may be that an exception is being made in the case of China." Yet that did not relieve me of the responsibility for reporting it. But I felt that I would be presumptuous to be reporting an incident relating to the action of some other department. But there was this phase, perhaps, that likewise helped govern: That I knew if I ever did bring it to the attention of the executive committee they would say, " No more; that is contrary to our policy." Therefore, I was anxious to make the sale, and figuring, as I said before, that it was an old Chinese custom and the fact it was another department, I did not mention it. But I am really responsible for at least participating in the violation of a company policy, because I knew the executive committee would have said flat-footedly, " No more business on that line."

Senator Pope. Did you take it up with any other department?

Mr. Casey. No.

Mr. Raushenbush. When the executive committee found out about this, was there another resolution on the Chinese business?

Mr. Casey. When the executive committee found out about this, we were doing no business with China, on account of the exchange.

Mr. Raushenbush. But you sold $800,000 worth, according to Mr. Bradway, in the last 2 years.

Mr. Bradway. I didn't say that.

Mr. Raushenbush. I will correct that. Since the embargo.

Mr. Bradway. In 1931, I think, was our last sale to China.

Mr. Raushenbush. How much has it been since 1929?

Mr. Bradway. About $800,000.

Mr. Raushenbush. That is what I was saying.

Mr. Bradway. Yes; but we haven't sold anything to them for 2½ years.

Mr. Raushenbush. But since 1929 it has been $800,000 worth of business.

Mr. Bradway. Yes.

Mr. Raushenbush. You did not answer my question, Major. After the company found about this China business was there another executive committee resolution on the question of not paying such commissions?

Mr. Casey. I do not believe the executive committee ever learned of it until this year.

Mr. Raushenbush. When they learned of it this year was there another resolution passed?

Mr. Casey. I don't think it was necessary, but it was an error on my part. Whether it was a justified error or not is beside the point. I am the fellow who made the bull.

The Chairman. Mr. Felix du Pont, in 1930 did you win a contract for the sale of 30 tons of TNT in China?

Mr. A. Felix du Pont. I do not know. Do you know, Major?

Mr. Casey. I have not got the materials here.

The Chairman. Mr. Casey?

Mr. Casey. I don't know.

Mr. A. Felix du Pont. I have not got the detail.

The Chairman. Do you have any knowledge of that, Mr. Bradway?

Mr. Bradway. No; I do not have the details. The $800,000 referred to included TNT, I might add.

Mr. Raushenbush. Yes.

Mr. Bradway. It was not all smokeless powder.

The Chairman. On various occasions, several occasions, at least, in cases of contracts with China for military material, these contracts had to be put through with the assistance of graft or bribes, or whatever you are going to call it here.

Mr. Casey. So we were assured.

METHODS OF DOING BUSINESS—ARGENTINA

The Chairman. Mr. Felix du Pont, was the Argentine Government a pretty good customer of the du Ponts for powder?

Mr. A. Felix du Pont. I would not call it a pretty good customer.

The CHAIRMAN. As foreign sales go, were they considered a good customer?

Mr. A. FELIX DU PONT. No. Covered over the years, taking the average per year, it was small. We would not consider the Argentine a good customer.

The CHAIRMAN. Have you considered it a good prospect?

Mr. A. FELIX DU PONT. No. We did at the time some years ago, but we were disappointed, I think.

The CHAIRMAN. Do you recall who, in 1920 and 1921, was your representative selling powder in the Argentine?

Mr. A. FELIX DU PONT. When?

The CHAIRMAN. 1920 and 1921.

Mr. A. FELIX DU PONT. No.

The CHAIRMAN. Would mention of the name Adolph Lissner mean anything?

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. He was your representative there?

Mr. A. FELIX DU PONT. Yes.

Mr. CASEY. He was our salesman.

The CHAIRMAN. He was your salesman?

Mr. A. FELIX DU PONT. Yes; he was our salesman. He was working under a salesman.

The CHAIRMAN. No commission?

Mr. A. FELIX DU PONT. No commission.

The CHAIRMAN. Outright salary?

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. He was a regular employee, then, of your military-service division?

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. Who picked Mr. Lissner?

Mr. A. FELIX DU PONT. Colonel Buckner, during the war.

The CHAIRMAN. Who was Colonel Buckner.

Mr. A. FELIX DU PONT. Colonel Buckner was the director of military sales during the war. I think he had Mr. Lissner before the war began—before the European war began.

Mr. CASEY. As an interpreter.

Mr. A. FELIX DU PONT. Yes; he had him as an interpreter.

The CHAIRMAN. Are you familiar with his methods?

Mr. A. FELIX DU PONT. No; I don't think anybody is.

The CHAIRMAN. He is no longer in your employ?

Mr. A. FELIX DU PONT. No; he died. But he was discharged from the du Pont Co. before that.

The CHAIRMAN. When did that discharge come?

Mr. A. FELIX DU PONT. I do not remember the exact year. It was about 1921, 1920, or 1921, I believe.

The CHAIRMAN. Did it arise out of complaints that were made concerning his methods in the Argentine?

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. I have before me a letter written by Mr. O'Gorman concerning a trip he had made to Washington, which is offered as "Exhibit No. 957."

(The letter referred to was marked "Exhibit No. 957" and is included in the appendix on p. 2601.)

The CHAIRMAN. On this memorandum we find Mr. O'Gorman notes [reading]:

> Called at the Department of Commerce regarding their letter of December 9 concerning our negotiations in Argentine. Saw Mr. P. S. Smith and Mr. J. P. Bushnell. Mr. Bushnell is a former employee of the du Pont Export Co., who was a traveling salesman in Mexico and South America for the Export Co., Mr. Bushnell stated that he knew Mr. Lissner and therefore was interested in doing all he could for us.

When did Mr. Bushnell cease his connection with the du Pont Co.?

Mr. A. FELIX DU PONT. I do not know.

Mr. CASEY. I have not the slightest idea.

Mr. A. FELIX DU PONT. It is a very long time ago.

The CHAIRMAN. Do you know whether he is still in the Commerce Department?

Mr. A. FELIX DU PONT. I do not know.

The CHAIRMAN. This memorandum, of course, is dated December 17, 1921.

Mr. A. FELIX DU PONT. Yes.

The CHAIRMAN. You have no knowledge of Mr. Bushnell's present connections, have you.

Mr. A. FELIX DU PONT. No.

The CHAIRMAN. He declares in his memorandum concerning being told of the methods which Lissner was employing down there in the Argentine, and then he reports as best he can from his memory, after reading a confidential and personal letter which was in the files of the Commerce Department. The letter in particular seems to have been dated October 27, 1921. Then reporting from his memory he says of this correspondence [reading]:

> The du Pont Co. has in Buenos Aires a German Jew named A. Lissner, who is negotiating with the Argentine Government for the sale of a quantity of powder which the du Pont Co. has on hand, due to the cancelation of a contract with the Italian Government. In a conversation with the Chief of Ordnance he told me confidentially that Lissner was endeavoring to bribe Argentine officials by indiscriminately distributing funds through a middleman. The Chief of Ordnance, together with other Argentine officials, strongly resents Lissner's business methods, contending that Lissner came to Argentina with the idea that the Government officials were corrupt and that he could only obtain a contract by paying bribes.

Was it this general complaint that led to Mr. Lissner's discharge?

Mr. A. FELIX DU PONT. We had the general complaint, and we were forced to the conclusion that Lissner was not acting—or his methods were not—according to du Pont Co.'s methods, and it seemed to show up most particularly in his traveling-expense accounts.

Senator CLARK. How long did Lissner work for you, Mr. du Pont?

Mr. A. FELIX DU PONT. He started in, I think, somewhere around 1907 or 1908, and he was an interpreter, used to go around with missions, government missions from the various countries, when they could not speak English. He spoke a number of languages. He had a way of ingratiating himself with those people, who made us have an idea that he was quite valuable as an interpreter.

The CHAIRMAN. I read further from Mr. O'Gorman's memorandum, the bottom paragraph on page 2:

> Both Mr. Smith and Mr. Bushnell felt that a great deal of the above report could be discounted, stating that Mr. White was a very high type of man, conscientious and painstaking. The moral conclusion which Mr. White

attempted to draw attention to in his report, of course, is a high thought, but Mr. Smith stated that he spent 8 months last year in Buenos Aires and knew for a fact that the officials were corrupt and endeavored to obtain graft whenever possible. He ventured to say that it was quite possible that the Chief of Ordnance was incensed because Lissner had not conducted the business directly through him and, further, that it might be likely that he objected to Lissner's methods because he was not getting part of the graft.

That is a general charge as relates to the situation in the Argentine, is it not?

Mr. A. Felix du Pont. It is very general; yes, sir.

Mr. Raushenbush. Mr. Chairman, may I point out that the administration referred to in this letter back in 1921 is not the administration in power in the Argentine in these days, and the reflection on the officials at that time would certainly not apply to the officials today.

Mr. Lammot du Pont. Mr. Chairman, I should also point out that this was not a matter that was covered by our own observations. This report is not a du Pont Co. report.

The Chairman. No; that is correct.

Mr. A. Felix du Pont. I should like to point out, too, Mr. Senator, that in this case, the case of Lissner, he was not successful in negotiating the sale of a pound of powder in the Argentine.

The Chairman. This being called to your attention is through the avenues of the Commerce Department of the United States Government. Mr. Smith, one of the spokesmen of the Commerce Department, Mr. O'Gorman reports, stated that—

as far as the Department of Commerce was concerned, they merely felt it was their duty to report to us the fact that our representative had not been discreet in conducting negotiations. He stated that they know perfectly well that the du Pont Co. would not permit a representative to negotiate along the lines described by the Chargé d'Affaires, and whether his report be true or not, it was Mr. Smith's belief that Mr. Lissner must have been very indiscreet.

You had knowledge of this from other sources as well, did you not?

Mr. Casey. I think there was one other source of information that Mr. O'Gorman developed along the same general line.

The Chairman. Mr. O'Gorman, it appears, had a friend who had connections in the Argentine.

Mr. Casey. There was something of that sort.

The Chairman. He was visiting back here and went and called on Mr. O'Gorman and reported to him in a way that caused Mr. O'Gorman to prepare a memorandum for Mr. A. Felix du Pont, which is introduced as "Exhibit No. 958."

(The memorandum referred to was marked "Exhibit No. 958" and is included in the appendix on p. 2602.)

The Chairman. I read only two paragraphs from that letter, the third paragraph first:

During Mr. Lissner's first trip to Argentine in 1920, Mr. Valentine—

He was the one who was bringing this report on his visit, from the Argentine—

became acquainted with Mr. Lissner by meeting him at the American Club. Mr. Lissner openly announced that he was down there to sell Argentine a quantity of Italian powder which he personally repurchased from the Italian Government at 1 cent a pound and which we intended to resell to the Argentine Government at a price of 70 cents per pound. This fact was made public by people who heard it and naturally, before very long the officials of the Government knew the exact cost of this repurchased powder and fought shy of buying it. In Mr. Valentine's opinion this is the real reason why the Argentine Goverenment did not contract with us for a quantity of Italian purchased powder.

What was your outlay on this Italian powder, Mr. du Pont?

Mr. A. Felix du Pont. I do not remember what the outlay was.

Mr. Casey. At the close of the war there still remained at Carneys Point a quantity of powder which belonged to the Italian Government.

Senator Clark. That powder had been manufactured for the Italian Government during the war?

Mr. Casey. Yes. And they came to this conclusion: If you gentlemen will remember, immediately after the war, food was the all-important thing to send abroad. They stopped all shipments of munitions and used all of the tonnage for food. Now, here was this quantity of powder. The Italians figured that it might be several years before they would be allowed to ship that powder. They said if we would take it off of their hands, at any price, where it was, they would be very glad to let go of it.

Now, the interesting point about that powder was that it was a powder of an unusual character in this respect: All powder made for the Italian Government had to be made to a constant weight of charge, the reason for that being apparently that their loading machines were of such a type that they could not adjust them to fit the change in weight of charge which might occur in normal practice. You can understand that, I believe, Senator.

Senator Clark. Yes.

Mr. Casey. So we had a blend—a cross blend. It happened to be that this particular powder was ideally suited to the Argentine—the rifle powder I am speaking of now—was ideally suited to the Argentine 7.65 Mauser rifle. In 1918, while we were still in the war, a Colonel Reyborn, attached to the Italian Embassy, came in to see Colonel Buckner one hot afternoon, I think, in August or September, about purchasing from us, when the war was over, a plant at a very cheap price, and he then explained to us what Argentine needed. Colonel Buckner's answer was:

> Well, when the war is over is time to talk. At the present time we only think of one thing, and that is helping the United States to win the war.

When the armistice occurred and things were clearing up there was a certain amount of contact between ourselves and the Argentine naval mission in this country.

I might say, to disgress for a moment, that the Argentine plant proposition started in 1918 and has never been closed since. I mean there has never anything happened since.

At any rate, in this connection, here we had this powder and we thought that if the situation was as described by Colonel Reyborn, with the further realization that Argentine had bought practically all of its powder for the Army, at least, from Germany, and Germany as a source of supply was cut off, there was a possibility that this proposition might justify to our going to a considerable expense in traveling funds to try to sell Argentine some of this powder. The possibility was before we got through with the sale of that powder, where it cost us a cent a pound at the time we made the purchase, you add all of the traveling expenses of a trip to South America and staying there for a month and coming back again and, as it was, trip after trip, I think if today we had any of that powder left and sold it, it would be sold at a loss.

But this letter, I think, or this report, indicates pretty well that if a man down there, not realizing that the powder he sold to the Argentine Government would probably in the end at that time have made us a very small profit, when he starts in blurting out things of this sort, it was self-evident at the time that he was not the type of man to represent any company.

Senator Clark. Naturally, if he shot off his mouth to that effect it would not help the sale very much.

Mr. Casey. I might give you a reason as to why Lissner was picked. As we stated before, Colonel Buckner took him in as an interpreter, because he knew sufficient Spanish, and perhaps a smattering of Portuguese—I do not know—but at least he was able to converse with the different foreign representatives who came over with these missions during the war. After the war he was promptly transferred to the export company, which was started for commercial sales and in which military did not form a part, because they felt he might be of value to them in the export company. But when this purchase of powder was made from the Italians, the suggestion was made, who would be any better fitted, in view of his dealings with different foreign missions, than Lissner to effect the sale, so that we started Lissner down there. After about a year or probably less, he came back with what was termed an ad referendum contract. The contract meant that here was a contract signed but of no value until it had been approved by the Argentine Congress. There was a further clause in there that we had to sign the contract, and in signing the contract we were then agreeing to the specifications code. In other words, we were to agree to the words in those specifications. We could not get a copy of the specifications, so that they wanted us to agree on this proposition. Now, the fact remained that the contract was not really worth the paper it was written on, unless ratified by the Argentine Congress, so that as a result of that it was felt that he came back too soon, and that if he really had a contract, before he brought the contract to us he then had to have the book of conditions, which we could then go through and see if we were prepared to meet them, and, lastly, the thing should have been ratified by the Argentine Congress. So that he was home for a short time and was sent back, I think, probably the middle of 1921, when he was sent back, and then it was after that time that we began to get these different reports which indicated there was something wrong.

We sensed it, but were not sure. I mean, we felt that there must be something. When he came back, Mr. Felix du Pont—in the meantime the company having gone through a reorganization from the functional system to the subjective system, where the different departments were then set up—and one of the first things Mr. Felix du Pont said to me, as soon as he took charge of both sales and operations, was, "Casey, I think the best thing we can do is to get rid of Lissner." That was even before we had these reports.

He said, "There is something I do not like." When we got the reports, the reason was obvious, and when he came back he was dismissed.

Mr. A. Felix du Pont. I might say that this was the only sales mission Lissner was ever put on, and the reasons speak for themselves.

The Chairman. To use ordinary language, he was "just too raw", was he not?

Mr. A. Felix du Pont. Yes.

Mr. Casey. I might add that we sent a man down there who was no salesman for the sole purpose of trying to correct the bad impression which we felt must have been left behind.

The Chairman. Mr. O'Gorman made a note in his memorandum to the effect that Lissner resorted to open bribery methods to such an extent that the officials of the Government were afraid to deal with him and considered him irresponsible. In the sale of this powder in the post-war days there was a great deal of pressure, was there not, to accomplish sales of left-over supplies?

Mr. Casey. No. This was our first attempt, and that was followed by another one with Poland.

The Chairman. We have already dealt with that one, have we not?

Mr. Casey. That was newly made powder, but I am talking about an earlier sale which started in this country. The negotiations stretched over 3 or 4 years, but that was a case where they knew they were buying a different type of powder. As I say, this Italian stuff was used for an entirely different purpose than that for Poland. The stuff which we had from the Italians would not have fitted the Polish guns.

The Chairman. What constitutes your fields for foreign operations?

Mr. Casey. At the present time?

The Chairman. Since the war, let us say.

Mr. Casey. At one time we thought we had a pretty good field. I think, as stated in the memorandum which I wrote to Mr. Felix du Pont, which we offered the other day, that we felt, with the reputation du Pont powder had made during the war, we had a wonderful opportunity, especially due to the fact that Germany, who supplied all continental Europe with the possible exception of France, was not then a potential seller, and at this time we found that our original idea of a wonderful market was all wrong.

The Chairman. Now your foreign market, strictly speaking, is confined to the Balkans, the Far East, and South America, is it not?

Mr. Casey. We never had a market in the Balkans.

The Chairman. You have sold some little orders there, have you not?

Mr. Casey. A little in Greece. We had sold Greece before that. We sold Greece a small quantity in 1915, I think.

The Chairman. Outside of these three classifications, do you have any foreign market at all?

Mr. Casey. The European market at the present time, I would say, is practically limited, so far as we are concerned, anyway.

Mr. Raushenbush. Colonel Taylor keeps reporting on every single country in Europe.

Mr. Casey. He is supposed to.

Mr. Raushenbush. And he sells for I.C.I. as well as you?

Mr. Casey. Yes. He tries to sell, you mean.

I might say the section around the North Sea really has been the only chance of doing much business; that is, Poland, Latvia, Finland, and those countries.

The Chairman. Now, as respects the Balkans, the Far East, and South America, in all of them there seems to be an anticipation that bribery, graft, of some kind and size is necessary.

Mr. Casey. Senator, we have heard that such things are necessary in all business in South America, but that is a rumor, but we have never had the slightest indication, so far as Poland, Latvia, Finland, and those countries are concerned, that any bribery is even considered.

Of course, there is this thing about those countries, that is probably why they offered us the best market: They were new countries, set up, and with nothing to start from.

The Chairman. In any event, confining it to those three classifications, you do have a situation there that at least is very different from the one which you deal with, or which any business firm deals with, in dealing here at home?

Mr. Casey. The question is really one of national viewpoint.

The Chairman. That is it.

Mr. Casey. You could take this situation in France: Owing to certain laws that were put into effect in the seventies, I believe, an employee of a company cannot be discharged except on 6 years' notice, and during the 6 years he had to be paid his salary, the result being that wherever they can they give their people nominal salaries and then in addition to that other compensation. Now, in the case of their purchasing agents—I am talking now of commercial business—now, in the case of their purchasing agents, we know of one case of a man representing a very large concern, who gets about 1,000 francs a month, or did at the period I am talking about, or approximately $40 a month. If you can imagine a high-class purchasing agent working for $40 a month, he must get some money some other place. Here is the way he gets it: A sale was made to this concern and, after the sale was finished, he said, "Where is my 4 percent?" So that our representative promptly went to the head of the firm and reported the incident.

He said, "That is all right; that is what he gets, 4 percent."

Then it was explained to him why he got it, and the simplification of the principle was this: that in case his services were discontinued, why, they had to pay him this 1,000 francs a month, or $40, for that 6 years, and that when times were good and purchases increased, his compensation automatically increased with it. When their purchases were cut off, because times were getting bad, the thing took care of itself.

There was another case—this time, I might say, not knowing this, we lost the 4 percent, because it was not provided for in the price—in another case, shortly after that, our representative thought, "Here, when I make the price, I better allow for 5 percent", so that he made an allowance of 5 percent to take care of the purchasing representative of the company being sold to. When the transaction was completed, he went to this man and said, "Here is your 5 percent." He said, "No, I only get 3½ percent. That is the arrangement I have with my employers."

He said, "We have set aside 5 percent on the price."

"Return the balance to the company. I get 3½ percent. That is my arrangement."

You cannot call that graft. That is a business arrangement and their method of doing it.

The CHAIRMAN. What would you call it here?

Mr. CASEY. We pay our purchasing agents.

The CHAIRMAN. But what would we call it here, if they did the same thing?

Mr. CASEY. If we had a law to meet of the same sort, the chances are we would do the same thing.

The CHAIRMAN. You mean to say that is permissible under the law over there?

Mr. CASEY. Yes.

Mr. LAMMOT DU PONT. Senator, your statement that our representatives find this graft situation to exist in Europe, the Far East, and South America is not correct.

The CHAIRMAN. I said the Balkans, the Far East, and South America.

Mr. LAMMOT DU PONT. We did not find it to exist there. It was reported to us that it existed, but there was some question as to the validity of the reports. As Major Casey has testified, in the Far East he made a blunder in certain cases, and he referred to that as a blunder. I am not sure that is the word he used, but that is what he intimated. Such a thing was not found elsewhere.

Mr. CASEY. Senator, we promptly, without waiting for the action of the executive committee, instructed Taylor with regard to the Balkan situation, that we will have to try to do business in our regular way, on a cash basis. We would not attempt to set up any machinery for credit or payment of graft of any sort, the result being, with the exception of Greece, which has been done on a regular basis through our agent there, whose name is Sapyras, we have not done any business. We have had one or two nibbles in Turkey, but have generally lost out in the adjudication.

The CHAIRMAN. Where you found these practices to exist, it is nevertheless true that even a concern who tries to be as high-class and high-type as yours does was in a position where you would have to follow along certain lines to get business, would you not?

Mr. A. FELIX DU PONT. No.

Mr. LAMMOT DU PONT. That is incorrect.

Mr. CASEY. The case of China is the one exception, and that, as I said before, is my error for not reporting.

The CHAIRMAN. Is that business worth having?

Mr. CASEY. The small amount of business which we have been getting made me feel personally at the time that I should sacrifice it, especially in view of the fact that I would be put in position of reporting on or telling tales on another department. I was in an awkward spot, which does not let me out, however.

The CHAIRMAN. In spite of the fact that these foreign sales are undertaken on the ground that we have got to have them in order to maintain a capacity here at home to take care of our own needs, when and if we are drawn into war, then we have pretty nearly got to conclude that these practices, and our subscribing to them, are in the interest of our own national defense.

Mr. LAMMOT DU PONT. That is not a fair inference at all.

The CHAIRMAN. Is it not a fair inference?

Mr. LAMMOT DU PONT. No; I think not.

The CHAIRMAN. Why is it not a fair inference?

Mr. LAMMOT DU PONT. The fact that foreign business is felt to be necessary in order to support our proper national defense does not mean that any improper methods shall be used in getting that business, and we have never felt that it was necessary to use improper methods to get business.

The CHAIRMAN. You would not say that that Chinese process was a proper method, would you?

Mr. LAMMOT DU PONT. That was a blunder, as Mr. Casey said.

Senator, your men have been spending weeks going through our files, and they have not turned up a single case except this Chinese one you mentioned.

Mr. RAUSHENBUSH. The Argentine powder factory.

Mr. LAMMOT DU PONT. There was no commission paid there to any representative of the Government.

The CHAIRMAN. In the Argentine powder factory matter?

Mr. LAMMOT DU PONT. The evidence did not show that.

The CHAIRMAN. The evidence showed that it came awfully close to officials of the Argentine Government.

Mr. LAMMOT DU PONT. I do not think there was any closeness indicated.

The CHAIRMAN. Did it not reach the family, at least?

Mr. LAMMOT DU PONT. That might have been. I do not know.

The CHAIRMAN. Reach the family of an official of the Government?

Now, Senator Barbour, I am finished. Do you want to start now or take a recess at this time and get a fresh start?

Senator BARBOUR. That is entirely up to you, Mr. Chairman. We have been recessing, as a rule, around noon. I could not start very well.

The CHAIRMAN. I would not want you to start and then have to stop at an inappropriate place.

Senator BARBOUR. I suggest that we recess until 2 o'clock.

The CHAIRMAN. The committee, then, will stand in recess until 2 o'clock.

(Thereupon, at 12:15 p.m., a recess was taken until 2 p.m. of the same day.)

AFTERNOON SESSION

METHODS OF DOING BUSINESS—MEXICO

(The hearing was resumed at 2 p.m.)

The CHAIRMAN. The committee will be in order.

Mr. LAMMOT DU PONT. Mr. Chairman, before you start on a new line of inquiry, may I say something about this morning's testimony?

I read into the record a resolution of our executive committee of November 15, 1922. I thought at the time it was being entered as an exhibit. I believe that was not so, and I would like to ask that it be entered as an exhibit. This is a copy of it [handing document to the chairman].

The CHAIRMAN. You read it in its entirety, did you not?

Mr. LAMMOT DU PONT. Yes, sir. May I have it entered as an exhibit also?

The CHAIRMAN. What is the purpose? The reason I ask, Mr. du Pont, is that it would only be repetition. You read it in its entirety. Did you want it given a designation?

Mr. LAMMOT DU PONT. Yes.

The CHAIRMAN. As an exhibit?

Mr. LAMMOT DU PONT. Yes.

The CHAIRMAN. Then the reporter can give it a number and let it be noted in connection with the testimony this morning that it is offered as " Exhibit No. 959."

(The resolution referred to was marked " Exhibit No. 959 ", and appears in full in the text on p. 2485.)

The CHAIRMAN. Senator Barbour.

Senator BARBOUR. Mr. Monaghan, I will not attempt to make any preliminary observations in relation to these exhibits which I have been asked to study, because of what you have said at the beginning of your remarks this morning. It covers the same story.

What I have in mind for the committee this afternoon refers back to other companies here in the United States and other countries. To make beginning at once, I have here a letter dated September 1, 1930, from Heedles & Breidsprecher, Remington agents in Mexico. They speak of a large amount of contrabrand ammunition. I will just read this one paragraph:

> With reference to the metallic business we found a very peculiar situation in Guadalajara. The writer saw more contrabands in this section of the country than anywhere else, there is a fellow with name of Godinez installed right in the market place, he has no permit to sell nor has he permit to import and yet he must have at least 100,000 metallics in stock. Most of it is Western ammunition which he gets from Nogales as contrabands and the balance is from Arms & Metal who sell this man metallics——

" Metallics " are cartridges, by the way, are they not?

Mr. MONAGHAN. Yes.

Senator BARBOUR (continuing reading):

> at less than the cost laid down Guadalajara would be by regular importation. Arms & Metal is doing this to compete with prices quoted to this man by Quintana and it will not take long until Quintana will make use of this confidential discount and will try to underbid Arms & Metal, etc. Roberto A. Gonzales of this city offered cal. 25 auto. at Mex. $70. a hundred to this man, and laid down costs of this cartridge is $92.30 Mex. a hundred and you realize that this also must be contrabands metallica.

I want to explain, Mr. Chairman, that this gentleman who writes this letter is a Latin American, and his English or the translation of it does not lend itself to very ready reading.

Mr. Monaghan, is this the general situation in the country? I refer now to the existance of contrabands. Is that a unique case, or is that a quite usual thing?

Mr. MONAGHAN. I do not know what the general situation is; I imagine the way this man has described it.

Senator BARBOUR. You understand that I am very anxious to be frank with you and have you and the other witnesses frank with me. My position is this whole thing is to try to get as much information as I can.

Mr. MONAGHAN. Yes, sir.

Senator BARBOUR. I am not subjecting you or others to implications that you are not entitled to. The more help you can give us, I think the better and quicker we will go. I mean, if it is a fact that you know there is a great deal of contraband in existence ordinarily, I think that is very helpful, and it does not bring any criticism on you at all, as I can see it.

Mr. MONAGHAN. All I can answer for, Senator, is what these people write. I have never been in Mexico myself to know what the real true situation is there, and I do not recall finding this letter in our file as having been pulled. It may have been, but I do not remember reading it over before.

Senator BARBOUR. I guess there is no doubt of its being a proper document in that respect?

Mr. MONAGHAN. I believe so; yes.

Senator BARBOUR. Because that is the only way we could get it.

Now, Mr. Beebe, this letter mentions Western ammunition as being handled in this bootleg fashion. The Western Cartridge Co. now owns Winchester, as I understand it.

Mr. BEEBE. That is right, sir.

Senator BARBOUR. I wonder if you have any knowledge of this question? In other words, I asked the same question of you that I just asked Mr. Monaghan.

Mr. BEEBE. Let us see, this was in 1930, was it not?

Senator BARBOUR. That is right, September 1, 1930.

Mr. BEEBE. The Western Cartridge Co. bought the assets of the Winchester Repeating Arms Co., I think, about December 1931. So that this is a situation about Western which I would be unable to answer. I should presume that any contraband that reached there might be materials bought from anybody in the United States and smuggled over, if there was such a case.

Senator BARBOUR. To go on, in order to secure import permits for ammunition in Mexico, we understand that application must be made to the war department there, to the general in charge. Is that so?

Mr. MONAGHAN. Yes, sir.

Senator BARBOUR. It says in this same letter, on page 4, last paragraph, as follows:

> The general in charge of the war department, artillery department, has, however, not signed for the past 3 weeks, and this in spite of the fact that we have contributed with $200 oro nacional to make the general's life more pleasant and reform the new law on ammunition and arms, so with all contrabands, price underbidding of Arms & Metal and Quintana, permit affairs, etc., you will appreciate what joy it is to work for Remington Arms Co., Inc.

(The letter refered to was marked "Exhibit No. 960", and is included in the appendix on page 2603.)

Mr. MONAGHAN. Senator, on those things, I really believe that you know the situation of an agent working on commission, the letters they will write you telling you the hardships they undergo in getting business for you, the competition they meet, and how much money they have to spend.

The Chairman. Would they be alibiing to that extent as much if they were on commission as they would be if they were on a regular salary?

Mr. Monaghan. It is hard to say just which way it would be. In either case they would be telling their home office of the amount of work that they were doing and the difficulty of getting the business for you.

Senator Barbour. Those methods are necessary?

Mr. Monaghan. They are human nature, that is all.

Senator Barbour. I mean, you do not sell unless those methods are followed?

Mr. Monaghan. I did not mean that; I mean in writing this type of letter.

Senator Barbour. Oh, yes.

Now, Mr. Monaghan, right there in the last paragraph of this letter, your agent asks for credit or cash for reimbursement of this payment to these Mexican generals, as I understand it, because he says:

> I forgot to mention that $200 which we kept at the office ready for War Department expenses were stolen the other day, so you better make the check $480 or U.S.G. $240.

Apparently he had this $240 handy here for the Mexican War Department, and it disappeared, so he asks you for twice that amount. What about that? Can you throw any light on it?

Mr. Monaghan. I would like to say two things: First, now that I have gotten down to this part of the letter, I do remember seeing a copy of this, and know that we had a copy that was taken from our files. This point brings it to mind, because we got a laugh out of reading it again.

I have looked into it, and there was not a cent paid to Heedles & Breidsprecher on the strength of this letter. I think the letter itself indicates the spirit in which it was written.

Senator Barbour. He certainly was in an optimistic spirit.

Mr. Monaghan. Well, he did not get it.

Senator Barbour. No such payment was made?

Mr. Monaghan. No, sir; not a cent.

Senator Barbour. By yourselves, in answer to this call?

Mr. Monaghan. Not a cent.

Senator Barbour. You are quite sure of it?

Mr. Monaghan. Absolutely.

The Chairman. Mr. Davis, I believe you were sworn the other day.

Mr. Davis. Yes.

The Chairman. There are two other gentlemen whom I think have not been sworn, who may be participating in the examination, that will be sworn at this time.

TESTIMONY OF C. K. DAVIS, H. F. BEEBE (RECALLED), W. U. REISINGER, AND E. E. HANDY

(Mr. Reisinger and Mr. Handy were duly sworn by the chairman.)

The Chairman. For the information of the committee, will you please give your name?

Mr. REISINGER. W. U. Reisinger.

The CHAIRMAN. And your connection?

Mr. REISINGER. Secretary and treasurer, Remington Arms Co.

The CHAIRMAN. And yours?

Mr. HANDY. E. E. Handy, vice president, Remington Arms Co.

Senator BARBOUR. On March 11, 1931, these same agents, the Mexican agents in Mexico, informed the company that the person in the War Department was apparently demanding more money.

(The letter referred to was marked "Exhibit No. 961" and is included in the appendix on p. 2605.)

Senator BARBOUR. I will read, if I may, the latter part of the third paragraph:

> We had a friend over there at the department that represented quite an investment for us—

I do not know whether that is a significant statement or not.

> and he was supposed to stay on and the trouble maker go out at the end of last month, and the result was that the trouble maker held on and he went out.
>
> He was asking for 1¢ Mexican Cy., per cartridge and you can appreciate what that means, for revolvers he asked for $2 each. I have been taking him out and endeavoring to demonstrate where he was wrong and why and although it has taken a while I may be able to get somewhere with him this week.

Is this a very general practice? That is a very definite indication to me of a fixed price that had to be contributed with relation not only to shells, but also to revolvers, and that the man had to be bribed, to put it bluntly, or you not sell your goods. Is that a fair statement? I do not want to say anything that is not fair.

Mr. MONAGHAN. No, sir; I do not think so.

Senator BARBOUR. Can you throw some other light on it that will make a distinction there that will be a difference?

Mr. MONAGHAN. This letter goes back to March 11, 1931. We have a rather loose, perhaps, contract or agreement with Heedles & Breidsprechor, entered into about 1927 or 1928, where they are to get 7½ percent commission or 10 percent commission, rather leaving it to our judgment or decision as to which they are to get. Many times when I receive letters like this, or read them, I say, "Oh, oh, one of those things again; that goes up to 10 percent, and here goes the argument for the 10 percent."

Senator BARBOUR. I see.

Mr. Beebe, there is no further light that you could throw on the situation in a general way?

Mr. BEEBE. None whatever.

Senator BARBOUR. By the way, where I read only part of an exhibit and the witness has the whole exhibit before him, if he feels that something in addition should be read, it is only fair for him to make the request. We have so many letters here and they are so long that I have marked only certain passages myself. But that does not mean that other things can not be read if it is felt fair to read other things.

Mr. MONAGHAN. Senator, there is one other thought perhaps you would like to have expressed here. That is, that all this business that is spoken of in this letter and the former one, is commercial ammunition, not military ammunition. We have not sold any military ammunition in our company to Mexico or anywhere near Mexico where we knew it was destined to Mexico by the facts that developed, since 1929. In 1929, you recall, there was some trouble in Mexico at the beginning of the year. At that time we had a few sales, one in particular I have in mind, to the Governor of the State of Lower California. That and every other instance at that time was called to the attention of the United States Department of Stae. They were advised of the details of it, of items, and the quantities, because they were military items. We knew they were intended for military use. The item and the quantity of the item very clearly indicated that.

As I say, since that time we have not had any military sales to Mexico or near Mexico that I know of.

Mr. DAVIS. Senator, in this connection it might be of interest to you know that more than 96 percent of our sales this year have been in sporting arms and ammunition, and for the past 10 years we have averaged only 1½ percent sales to foreign and United States Governments. Of the 1½ percent two-thirds, or 1 percent, was to the United States Government. Sales amounted to one-half of 1 percent to foreign governments.

Senator BARBOUR. When you speak of sporting arms and ammunition, do you refer to shot guns?

Mr. DAVIS. Shot guns and rifles for hunting, .22 rifles and ammunition therefor. I might say that we have a full line of our guns down here, that we would like to show you any time you wish.

Senator BARBOUR. We will speak about that afterwards.

Senator POPE. What calibres do you regard as war guns? You say a .22 rifle would be regarded as a sporting arm. Would a .32 be regarded as sporting arms? What is your distinction there between war material and sporting arms?

Mr. DAVIS. The shot guns, of course, are 20 gauge, 16, and 12.

Senator POPE. Yes.

Mr. DAVIS. Then we have a .22 rifle. The range of a .22 rifle, Senator, is about 250 to 300 yards. That is the effective range. The effective range of a shot gun is about 100 yards, whereas military rifles are about 1,200 yards. I think that Mr. Hadley would give you a definition of the difference between sporting arms and military arms if you would like to have it.

Senator BARBOUR. I have that fairly clearly in mind, Mr. Davis, so far as I am concerned, although I do think that in Central America and South America, and at times in Mexico, there have been all kinds of arms used other than for just sporting purposes. I do not say that to refute what you say, but I do think that.

Mr. DAVIS. I have no direct knowledge of that.

The CHAIRMAN. You mean that in some cases shot guns would be used?

Senator BARBOUR. Or any type of repeating rifle might be used.

By the way, that is a very good statement you have made. I am glad you have made it. Would that also apply to the metallics? Do your shells fall in the same category as your small arms?

Mr. DAVIS. Yes, sir.

Senator BARBOUR. So far as sporting and military uses are concerned?

Mr. DAVIS. Yes, sir.

Senator BARBOUR. The next exhibit is a letter dated March 21, 1931, wherein the Remington agents in Mexico stated that the War Department official made a slip in that he issued a permit for Winchester. I will read just a small part of that.

> Gonzalez also secured a permit for 100,000 but this was a slip up on our friend in the department, we both had an application in, that is Winchester as well as ourselves, and he permitted both to be issued at the same time, but I think Gonzalez also will delay his order.

At that time, Gonzalez, I understand, Mr. Beebe, was your agent, was he not?

Mr. BEEBE. No. He was a dealer.

Senator BARBOUR. A dealer, a customer of yours?

Mr. BEEBE. A customer; yes.

Senator BARBOUR. The last paragraph in the same letter is interesting:

> We are consulted for most of the "acuordos", that is, to whom permits can be granted, delayed, canceled, refused, etc., and we hope it lasts for a while longer, because in about 6 months' time nothing but Kleenbore would be allowed.

Mr. MONAGHAN. Senator, is not that the best example of what I said before about these letters? Mr. Beebe could tell you that we certainly never did get all the business down there.

Senator BARBOUR. Of course, the implication is, or could be—yet I do not believe in just implications—that by these commissions, if you want to stick to the word, you can get the business, and without them you cannot.

(The letter referred to was marked "Exhibit No. 962", and is included in the appendix on page 2606.)

Senator BARBOUR. The next exhibit is a letter of March 16, also from the Remington agency in Mexico. I will read some of this. It is the last part of the first paragraph:

> The reason for this is that this company is getting a large quantity of metallics over the border without paying duty, Mr. Silva has a combination with a number of customhouse officials in Ciudad Juarez.
>
> However, in order to import large quantities of metallics which is the intention of Mr. Silva, he is going to send to our office several applications for permits which will cover a greater quantity of metallics than specified later on the permits, the permits simply cover up the whole affair and if he gets in trouble he can make reference to these permits. As soon as I get to Mexico City I shall see that the War Department will grant those permits and as soon as we have secured same you can expect quite larger orders from this client.
>
> You are undoubtedly aware of the fact that all of the arms and ammunition which you ship to this client is for sale into Mexico, he does not do any domestic business in this line, in fact he handles this business through his Ciudad Juarez branch.

The CHAIRMAN. How long have you employed this firm?

Mr. MONAGHAN. I think since 1927 or 1928.

The CHAIRMAN. Are you still employing them?

Mr. MONAGHAN. Yes, sir.

Senator BARBOUR. In other words, the shipment to the border really ceases as far as the responsibility of the shipper is concerned, and after that it is no concern of the shipper or manufacturer what becomes of the cartridges?

Mr. MONAGHAN. In some respects if we followed the shipments through to completion we might be getting in trouble with the Federal Trade Commission.

Senator BARBOUR. I am just trying to show—I am not trying to name anybody—by this very method that you follow or have to follow, a great deal of your product could become contraband through no fault of your own. That is true, is it not?

Mr. HANDY. Yes, sir.

Mr. MONAGHAN. May I ask if you will read the last paragraph on the first page?

Senator BARBOUR. Yes. [Reading:]

> I believe we never received any commission on the sales which you make to this company although all of these sales cover goods for sale into Mexico and for that reason you sell this account at export prices and ship from your export department and not domestic department and I would appreciate if you would kindly look up this matter and see that the commission which will be due to us will be taken care of.

Mr. MONAGHAN. Following receipt of that letter we gave Heedles & Breidsprecher a commission on the sales to the Mexican Hardware Co. We never have yet heard any more about how the Mexican Hardware is conducting their business. It indicated clearly why he stopped to see Mr. Silva and why we had this report.

(The letter referred to was marked "Exhibit No. 963", and is included in the appendix on page 2607.)

Senator BARBOUR. It appears from a letter written to Remington dated November 13, 1929, by Fernandez, that bribery of a little higher order is customary in Guatemala.

(The letter referred to was marked "Exhibit No. 964", and is included in the appendix on page 2607.)

The CHAIRMAN. I should like to ask before you leave the case of this Mexican firm, you have said that this same firm is still in your employ?

Mr. MONAGHAN. Heedles & Breidsprecher?

The CHAIRMAN. Yes.

Mr. MONAGHAN. Yes, sir.

The CHAIRMAN. Are you encountering continued experiences in what you call "padding" their expense accounts?

Mr. MONAGHAN. They have no expense account of any kind with us. We pay them a commission on the business. We have never paid Heedles & Breidsprecher a cent in any way to tie in with the statements that show in some of these letters of the amount that they paid out to a general or the amount that was stolen from their safe, or anything like that.

The CHAIRMAN. Why do they write these letters to you if they know there isn't any chance of recovery?

Mr. MONAGHAN. Perhaps they just keep on trying. They don't get anything; that is sure.

Mr. DAVIS. Senator, I would like to say that it is not the policy of the Remington Arms Co. to obtain business by bribery or graft. If we cannot obtain it any other way, we don't want it.

The CHAIRMAN. And yet here are the letters coming to you reporting to you what your agents, your folks, down there are doing, and yet you keep them as your agents.

Mr. DAVIS. I know nothing about this. This happened before I was connected with them.

Mr. MONAGHAN. You see, that was prior to du Point acquiring control of the Remington Arms Co., Senator.

Senator Clark. The same fellow is still representing you down there, isn't he?

Mr. Monaghan. Yes, he is, and I might tell you, too, that the activities of the agent down there are in shotgun cartridges or .22 caliber cartridges, such as Mr. Davis described to you. They are entirely sporting items. They could not be used for any other purpose by the greatest stretch of the imagination. But they come under the War Department regulations and you have to get permits. I do not know it in detail, but I have had it reported to me that the rules and regulations that surround the importation and sale of those sporting items are similar to military supplies, and naturally Heedles & Breidsprecher are working with them in an attempt to differentiate between sporting items and any military items.

Senator Clark. The only reason they included sporting ammunition in the classification of the War Department is to simply throw the burden on the shipper to show it is not military ammunition?

Mr. Monaghan. Yes; that is true, and yet in Mexico and in other countries they place those restrictions on us. They do not differentiate at any time. They keep those regulations on the .22's and on shotgun cartridges. You would be astonished to see some of the red tape we have to go through in making a shipment of sporting ammunition to any of the Latin American countries.

The Chairman. Do you think this representation that was made of someone having stolen the money that was on hand to do something with, that there was any occasion for such a report? Do you think it was stolen?

Mr. Monaghan. I don't know.

The Chairman. I very clearly gathered, and I think the other members of the committee have, that you do not have a large trust in this firm.

Mr. Monaghan. They are good agents.

The Chairman. They are good agents, but you get a letter from them and you say, "Aha, another one of that kind of letters."

Mr. Monaghan. Perhaps they are business men. They are not working on a salary. They are working on commission.

The Chairman. You distrust their representations?

Mr. Monaghan. No, sir.

The Chairman. You distrust them?

Mr. Monaghan. No.

Senator Barbour. You didn't send them their $480 in that case?

Mr. Monaghan. No, sir.

Senator Barbour. So either you cheated them or you did not feel they were entitled to it.

Mr. Monaghan. I don't say we cheated them.

Senator Barbour. I say, you did either one or the other. If you trusted them you would send them the $480.

Mr. Monaghan. I didn't feel they were entitled to it.

Senator Barbour. They should not have asked for it.

Mr. Monaghan. No.

The Chairman. You have large faith in this firm?

Mr. Monaghan. Yes.

The Chairman. Large trust in them?

Mr. Monaghan. Yes.

The CHAIRMAN. Irrespective of the representations made in their letters?

Mr. MONAGHAN. Surely; as I say, they are business men, working on commissions, and the more business they do the bigger their return.

The CHAIRMAN. And however they may do the business, you get it?

Mr. MONAGHAN. I do not reach that same conclusion; I don't believe, the way you do, Senator.

METHODS OF DOING BUSINESS—GUATEMALA

Senator BARBOUR. I may revert again, if I may, to the letter I mentioned "Exhibit No. 964", dated November 13, by Fernandez, which I think will speak for itself.

Senator BARBOUR. It refers to an order, and then he goes on to say:

> This subsecretary held the signing of same and finally did not sign. He is a very close friend of Salvador Koenigsberger, agent for Western and showed Salvador Koenigsberger the contract for the paltry sum of $100 and at the same time made a lot of noise, recommending that the order was not legal because it was not submitted to public bidding, and at the same time attached to Van de Putte's contract, an offer from Western's agent, for the same quantities but for the amount of $15,066, Van de Putte's contract being for $18,000. The difference between your quotation and the amount appearing on the contract was to be divided among the Minister of War, etc., and Juan Van de Putte & Co. had already advanced to Gen. Juan Padilla the sum of $1,000 on account of this order and another $4,000 for another contract effected for some leather kids and belts, for the national army. When this happened the Minister of War sent for all the papers and documents, and was going to put it through because they expected a clean-up in all departments, and naturally the order remained in status quo, although we retained the right-of-way, the Minister of War being morally obligated.

Is that the way in which a little grease, as referred to in this letter, is handled, and business conducted in that way in that country?

I can read something else, on the second page of the same letter [reading]:

> He has been fighting like hell. He is a very close friend of General Padilla, the Minister of War, and this Minister of War is indebted to Winchester, because they give him a commission for ordering in all the permits Winchester ammunition.

I suppose that means he has a commission for arranging the permits for Winchester, as another way of putting it. As I say, the wording is very difficult to read, with the continuity.

> You will recall that when Freddy—

Who is Freddy?

Mr. MONAGHAN. Koenigsberger.

Senator BARBOUR (continuing reading):

> You will recall that when Freddy arrived in New York he had quite a nice order for loaded shells and some cartridges. Both these orders were for Winchester, but Freddy gave you the order for the cartridges and he bought the loaded shells from Winchester, and when he arrived here the general gave him hell for doing so, and he finally admitted to Freddy that he was "morally" interested in Winchester. The percentage of commission which they gave the Minister of War I have been unable to find out, but I believe that I will secure this information before I leave.

Did you get that information from him in due course? Did he find that out, do you know?

Mr. MONAGHAN. I was reading ahead, taking the letter as a whole, Senator. I did not——

Senator BARBOUR. Well, after all, what we are really interested in is to what extent General Padilla is morally interested, and why. Mr. Beebe, can you give us any light on that, because it refers specifically to Winchester in that case.

Mr. BEEBE. General Padilla was a friend of Elmslie Jonas, our salesman, as I understand it.

The CHAIRMAN. Is that the Jonas who appeared before the committee in September?

Mr. BEEBE. No.

Senator BARBOUR. Is it his brother?

Mr. BEEBE. It is E. E. Jonas.

Senator BARBOUR. Is it his brother?

Mr. BEEBE. It is his brother; yes.

Mr. RAUSHENBUSH. Is the Jonas who appeared before us a Remington salesman?

Mr. BEEBE. That is correct.

Mr. RAUSHENBUSH. This Jonas is a Winchester salesman?

Mr. BEEBE. Yes.

Senator BARBOUR. Well, you cannot throw any light on that, Mr. Beebe?

Mr. BEEBE. No.

Senator BARBOUR. It speaks very specifically of actual money that went to Government officials and speaks of you in connection with it; that is, your company.

Mr. BEEBE. Yes. I think on that the best thing would be for you to ask Mr. Elmslie Jonas, who is here, to explain this. He was a friend of General Padilla before he ever came here, and it had to do with a purely commercial transaction, as I understand it.

The CHAIRMAN. Mr. Jonas, come forward and be sworn.

TESTIMONY OF ELMSLIE E. JONAS

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Come forward a little further, Mr. Jonas.

Senator BARBOUR. Mr. Jonas, will you run your eyes through that letter?

The CHAIRMAN. Just a minute. Mr. Jonas, give the committee your full name.

Mr. JONAS. Elmslie E. Jonas.

The CHAIRMAN. Where is your home, Mr. Jonas?

Mr. JONAS. New York.

The CHAIRMAN. You are a representative of what firm?

Mr. JONAS. The Winchester Repeating Arms Co. and the Western Cartridge Co. at present.

The CHAIRMAN. How long have you been such?

Mr. JONAS. Since 1920.

What was the question, Senator?

The CHAIRMAN. He wants an explanation of that second and third paragraph, as to just what the meaning of it is and what the relationship involved there was.

Senator BARBOUR. To the end that we may find out, if we can, Mr. Jonas, the moral obligation that General Padilla feels toward Winchester and how he got that state of mind.

Mr. JONAS. I was a friend of General Padilla before he was the Minister of War, and when he became Minister of War he might have favored me by making it easy to get permits for the importation of commercial ammunition. This particular case was a case where he wrote to me that the firm of Koenigsberger wanted to buy shotgun shells, and due to his so-called "friendship" he issued the permit in favor of Winchester.

Senator BARBOUR. Then in your case you get these permits simply on the basis of friendship.

Mr. JONAS. Well he wrote to me at the time and suggested that I make him a present. I didn't do it then.

Senator CLARK. You didn't do it then?

Mr. JONAS. No; but on one trip to Guatemala I did make him a present.

Senator CLARK. How long was that after he suggested it?

Mr. JONAS. Oh, probably 6 months.

Senator CLARK. What did you give him?

Mr. JONAS. I gave him on one order $250.

Senator BARBOUR. On one order?

Mr. JONAS. Yes.

Senator CLARK. He was a petty-larceny grafter, wasn't he?

Mr. JONAS. Yes.

The CHAIRMAN. You say one order?

Mr. JONAS. Yes.

The CHAIRMAN. Then you gave him on other orders?

Mr. JONAS. I do not recall the amounts——

The CHAIRMAN. Or presents on other orders?

Mr. JONAS. But on practically all import permits on commercial ammunition, for importations to private firms, not military.

The CHAIRMAN. How did you strike up a personal acquaintance with him?

Mr. JONAS. For one thing, he was quite a hunter. I have been out on hunts with him. Formerly he was in charge of railroads. He was the Government supervisor of railroads and I knew him at that time.

Senator CLARK. Was it before or after you gave him the $250 that he wrote this letter as to being under moral obligations to the Winchester Co.?

Mr. JONAS. I think it was before. I would not be positive of that.

Senator CLARK. You mean he wrote the letter before you gave him the $250?

Mr. JONAS. Yes; I believe it was.

Senator CLARK. What was the moral obligation he was under to Winchester?

Mr. JONAS. I think the word was not intended. I don't understand what he means by it.

Senator CLARK. I don't either.

Senator BARBOUR. There is a great deal of the same sort of thing here, Mr. Chairman. I think we can go on. These instances of themselves, I am frank to admit, are not great, as I view it in one sense, but taking it altogether they show a situation which I think warrants the time of our completing the picture.

The CHAIRMAN. Yes.

Mr. JONAS. I think, Senator, that is about the only instance in my experience where that actually has happened. It is one of the very, very few times. It is the only case that happened at that particular time with that particular party. I do not think it is general at all in our dealings with our agents or our customers.

Mr. BEEBE. May I make a further statement in regard to this? I would like to call attention to two things: First, that was made during the time of the existence of the old company, not the present company.

Senator BARBOUR. Yes.

Mr. BEEBE. Furthermore, to clear up positively that that was to secure or in return for favoring Winchester in the way of a permit, but not on any Government business; it was purely commercial business; shot, shells, and so forth.

Senator CLARK. It was a payment to a public official for performing a public duty, was it not?

Mr. BEEBE. No. It was for switching the business from another concern to Winchester.

Senator CLARK. It was part of his business to issue the permits, was it not?

Mr. BEEBE. Yes; to issue permits.

Senator CLARK. And he did receive a present or a bribe, as you please to call it, for performing a public duty.

Senator BARBOUR. This was the Minister of War that was involved in this. It was not commercial.

Mr. BEEBE. No. I would like to amplify that, if you please, once more, to clear up this point that Senator Clark brings up. This is an order for commercial goods. It is a fact that the Minister of War had to issue a permit for the importation of commercial ammunition. What the Minister of War told Mr. Jonas was that what he did was to induce this man to change his order to Winchester and then he would issue the permit, and after he had done that wrote and told him what a good job he had done for him, and suggested it was worthy of some recognition. It was not done beforehand for switching the order, but for his good idea in changing the order to Winchester.

Senator CLARK. In other words, Mr. Jonas became an accessory after the fact instead of an accessory before the fact.

Mr. BEEBE. If you look at it that way, although he had no promise, Senator, that he would get anything.

The CHAIRMAN. What did you consider this present that you made, Mr. Jonas?

Mr. JONAS. As a percentage.

The CHAIRMAN. As a bribe at the time?

Mr. JONAS. No; I thought we would sell the ammunition at the regular export prices. He asked for it, and if I did not give him a present I did not expect that we would get permits in the future.

The CHAIRMAN. Did they expect presents pretty generally?

Mr. JONAS. This particular party did; not as a general thing around the countries; no.

The CHAIRMAN. What record was made of the present you made to him?

Mr. Jonas. I suppose I charged it up, just as it was, in my expenses as payment. I do not know just what happened. I did not pay it out of my own pocket.

Senator Clark. Did you pay it in cash?

Mr. Jonas. Paid it in cash; yes.

Senator Clark. Did you notify the company that you had made this payment?

Mr. Jonas. I assume I did. I do not recall.

Mr. Beebe. I think it was in his expenses.

The Chairman. Mr. Beebe, you recall that it was reported?

Mr. Beebe. It was reported; yes.

Senator Clark. Do you recall what the company said, Mr. Jonas?

Mr. Jonas. What is that?

Senator Clark. Do you remember what the company said when you reported to them that you had given this man a bribe of $250?

Mr. Jonas. I would not call it a bribe. It was not a bribe at all. It was a present I gave him.

Senator Clark. Given to a public official for performing a public act.

Mr. Jonas. It happened to be he was a Government official. It had nothing to do with the Government's business, however.

Senator Clark. It just happened to be he had the power to issue these permits and he would not issue them unless you got the business, and shortly after he made this transaction you gave him $250. What happened when you reported to the company that you gave him $250?

Mr. Jonas. I do not recall what happened.

Senator Clark. They didn't write to you and fire you for doing what they did not approve of?

Mr. Jonas. I do not recall that at all.

Senator Pope. Did you say that you gave other parties money?

Mr. Jonas. Probably small amounts.

Senator Pope. At this time?

Mr. Jonas. For other orders.

Senator Pope. For other orders?

Mr. Jonas. Yes.

Senator Pope. Did you report that to the company at the time?

Mr. Jonas. I presume I did.

Senator Clark. Are you still working for the company?

Mr. Jonas. Yes, sir.

The Chairman. Mr. Jonas, I think you said this was the only case of the kind during your experience.

Mr. Jonas. Paying for permits; yes, I think so.

The Chairman. Are you ready to swear that it was the only case?

Mr. Jonas. If I remember rightly; yes. If anything else is called to my attention, I will tell you.

Mr. Raushenbush. Your question was very specific on permits, Mr. Chairman. The answer was on permits.

The Chairman. Yes, on permits. Now, as respects the present Government, is that the only official you ever made a present to?

Mr. Jonas. I think, yes.

The Chairman. You think yes? Don't you know? Can't you remember the presents given to public officials?

Mr. JONAS. I might have given them a rifle or some very trivial thing possibly, but that doesn't amount to anything; nothing of any value to speak of, a very picayune item, if it were.

The CHAIRMAN. This was the only monetary consideration?

Mr. JONAS. Yes, I am sure it was.

Senator BARBOUR. Referring to Mr. Jonas, we have a letter of his—no, that is the brother.

Senator CLARK. Mr. Jonas, coming back to this $250, as a matter of fact, you gave him the $250 for issuing the permits, didn't you?

Mr. JONAS. So he would issue permits, yes.

Senator CLARK. You said you were afraid he would not issue any more permits if you did not give him a present for issuing the first batch.

Mr. JONAS. That is right.

METHODS OF DOING BUSINESS—NICARAGUA

Senator BARBOUR. I have a letter here from Frank Jonas, written from Nicaragua, and dated June 27.

(The letter referred to was marked "Exhibit No. 965" and is included in the appendix on p. 2609.)

Senator BARBOUR. Is that Frank S. Jonas your brother?

Mr. JONAS. He is; yes.

Senator BARBOUR. He is an employee of Remington?

Mr. JONAS. I believe so.

Mr. MONAGHAN. Senator, before you pass up that other letter, it is in the record—there is an opinion there quoted about a $3,000 advance necessary.

Senator BARBOUR. What letter is that?

Mr. MONAGHAN. The one you just read, at the bottom of the second page, about Van Putte.

Senator BARBOUR. Yes.

Mr. MONAGHAN. It says [reading]:

> To proceed with shipment order need $3,000 advance adding same to value of order, etc.

We never advanced that money.

Senator BARBOUR. You never did?

Mr. MONAGHAN. We never paid that money.

Senator BARBOUR. Let me make another start at this "Exhibit No. 965." This is June 27 [reading]:

> General Somoza had dinner with me last night, and he told me that he intended to equip the army with .45-caliber Colt automatic pistols as standard equipment. Guruceta, of course, when he is here is pushing the Star pistol, so I suggest that you communicate with Mr. Nicols to write direct to General Somoza offering to sell him direct. I would suggest that in his quotation he should include a 10-percent commission for General Somoza.

Now, is this customary?

Mr. MONAGHAN. No, sir; this is very unusual.

Senator BARBOUR. Just a coincidence?

Mr. MONAGHAN. Absolutely not. There are two distinctions that I make of business in Nicaragua. One is the sales for the use of the army. The other is for sales to what they call the Guardia Nacional. The Guardia Nacional imports all of the commercial ammunition and then sells it to the dealers there. It has nothing to do with military items. This letter very plainly shows that the understanding with General Somoza is that the commission shall apply on orders for the Guardia Nacional, not on purchases of the Government for their own use.

Senator Barbour. But it does show that the general should get the 10-percent commission.

Mr. Monaghan. The second paragraph of that letter says [reading]:

> General Somoza has accepted this commission with the full knowledge of the President and it is not considered as graft but is considered as an extra payment for the work he is doing here.

The Chairman. I suppose that as long as the President knows about it, it is not graft.

Mr. Monaghan. Have I made it clear, Senator?

Senator Barbour. Yes.

Mr. Monaghan. That these cartridges for the Guardia Nacional are commercial items, shotgun cartridges, .22's, revolver and pistol ammunition.

The Chairman. Yes, I think you have.

Senator Barbour. This national force you refer to, are those the ones the United States Marines trained?

Mr. Monaghan. Yes, sir.

Senator Barbour. While it has nothing to do with it directly, is this General Somoza the one who is believed or supposed to have executed Sandino?

Mr. Monaghan. I don't know.

Senator Clark. What was the official function of the General, the one that got the 10 percent? Does that appear?

Mr. Monaghan. He was in charge of the Guardia Nacional.

Senator Barbour. That would be like our militia, I suppose.

Mr. Monaghan. Partially, I suppose.

METHODS OF DOING BUSINESS—BAHAMA ISLANDS

Senator Barbour. In San Salvador the situation seems to be getting a little more acute, and I would like to read from page 2 of this letter of March 5 from Fernandez to the Remington Arms Co., a little way down from the beginning.

(The letter referred to was marked " Exhibit No. 966 " and is included in the appendix on p. 2610.)

Senator Barbour (reading):

> The Treasurer, Mr. Joaquin Rodezno, is a " son of a so-and-so ", to put it mildly. I have been trying not to have another clash with him. He is a very good friend of Saul Garcia, Winchester representative, and he has been " greased " by Garcia, with the result that he is as mad as a " puppy " because I secured the business and he is trying to place everything in my path just to bother.

Garcia is the Winchester representative and Garcia has greased this gentleman, the Treasurer; is that so? Do the Winchester people know anything about that?

Mr. Beebe. No knowledge at all. He is our agent on a commission basis.

Senator Barbour. The commission, of course, is the source from which the grease flows, is it not?

Mr. BEEBE. If any flowed, it probably did come from there. I don't know where else it would come from.

Senator POPE. Did he put it in his expense account?

Mr. BEEBE. He has no expense account. They are our local agents, working on a commission.

Senator CLARK. How much commission did you pay him?

Mr. BEEBE. It depends on the price we got for the order or the price at which he has been able to get the order. It has varied from 5 to 15 percent. If we got a line of goods on which the profits were reasonable and he got the right price, we have at times given him 15 percent. At other times it has been as low as 5 percent.

The CHAIRMAN. Doesn't it amount to this, Mr. Beebe; that you engage your representatives on a commission basis down there and you tell them what you have got to have for your product, and anything they sell it for above that is theirs?

Mr. BEEBE. To an extent, except we always have to have in mind the competition of other people, and that more or less in most cases prevents any abnormal price being received for the goods.

Senator BARBOUR. Here is just a short bit in the third paragraph [reading]:

> This is one party I do not have to "grease", but there are plenty in some other directions. For instance, Colonel Bara, Chief of the War Supply Department, wants 2 percent; there is the buyer of the Republic Provendor General, he wants something, too; and there is Mr. Armando Frenkel, who is working with me on this business, and there is me, too.

That is interesting, because the term "grease" and the reference to a commission figure are analogous.

Mr. MONAGHAN. The next sentence there, Senator, I don't know whether you are going to read it, but——

Senator BARBOUR (reading):

> That is why the 7½ percent is not an enormous percentage, as you seem to think it is.

The 7½ percent is to be used as grease?

Mr. MONAGHAN. You keep pinning them down, pinning them down, trying to reduce the rate of commission they are to get, and they are fighting trying to build up the rate of commission, and the higher the rate of commission is, the worse you are going to be in competition with European concerns. Now, this is—well, this does refer to the 7-millimeter cartridge.

Senator BARBOUR. Then a little further down—I want you to pick out what I don't read. We will never get through if we read all of this. [Reading]:

> He is a Mason and General Martinez is a Mason too, and it seems that General Martinez when he was appointed last year Minister of War induced Mr. Frenkel to get some connection in the arms and ammunition line.

There he says the Minister of War induced Mr. Frenkel to get some connection in the arms and ammunition line.

Mr. MONAGHAN. And I would like to say right there that Mr. Fernandez I do not believe is a Mason, so his references there do not have any bearing at all.

Senator BARBOUR. Now, I offer next a letter from San Salvador to the Winchester Co., dated November 5, 1932. It is signed, I believe, by "Garcia", but I don't know.

(The letter referred to was marked " Exhibit No. 967 " and is included in the appendix on p. —.)

Senator Barbour. The part I have in mind to read is this:

> As you will note, that order was reduced to 200,000 and placed at the price of $14.70 c. i. f. This is the same price that was quoted by the three competitors, from that country, and I was able to secure the order for you through the very efficient cooperation of Col. Ernesto Bara, Chief of the Department of War.

So that here is one case where the price was right; and the fact that the gentleman in Salvador writes to the Winchester Repeating Arms Co. that at the same price he was able to get the business, and knew he was able to get the business because of the cooperation of the Chief of the Department of War, and it follows, I believe, that there is no comment necessary, unless you say it does not mean what it says.

Mr. Beebe. No; except this: That if he receives 20 cents a thousand, it means he could not have paid very much graft on the 200,000 cartridges. That is about $40.00 commission for the transaction.

Senator Barbour. That is one of the cases where you whittled it down as much as you could.

Mr. Beebe. We had to quote a low price on this business in competition, and offered him only 20 cents a thousand; and as a matter of fact, it is certain that that is a very small commission.

Senator Barbour. I think it is.

Mr. Beebe. If he paid anything to anybody else, he would not have made anything on the transaction.

Senator Barbour. He speaks of the cooperation he received from the Chief of the Department of War.

Mr. Beebe. There might be coopertion, but I do not think there is any indication there that he paid anything for it.

Senator Barbour. There is plenty of indication in the other letters which build up to that, Mr. Beebe.

Mr. Beebe. There may be.

Senator Barbour. I do not want to go all over that again.

(The letter referred to was marked " Exhibit No. 967 ", and is included in the appendix on p. 2611.)

Senator Barbour. The next letter is dated March 5, 1932, where there is mention of more " grease ", as I recall it. I will offer that for appropriate number.

(The letter referred to was marked " Exhibit No. 968 ", and is included in the appendix on p. 2612.)

Senator Barbour. At the top of page 2 that letter states [reading]:

> On this order for 7-mm Mauser which I got the whole commission of 7½ percent is not for L. G. F.

Who is L. G. F.?

Mr. Monaghan. Luis G. Fernandez.

Senator Barbour [reading]:

> As you probably know you have to " oil " or " grease " certain parties in order to get it through. Otherwise you are out of luck.

Then, a little further down, the letter continues:

> You will be surprised to note how things are here now as far as the competition is concerned. There are representatives from Czechoslovakia, Spain (two of them), Belgium, France, and Germany, plus Winchester, and little me.

In other words, it links up very directly, in my mind, with the necessity of having plenty of "grease" ready. [Reading:]

> Representatives have sprung up from the ground. As soon as I think it advisable to leave San Salvador I will fly to Honduras and go south passing through Costa Rica and to my final destination, Panama. I have not great hopes in Costa Rica as I believe that there is not much doing over there in the way of securing any military-cartridge business. I might be wrong at that.

Mr. MONAGHAN. He was right.

Senator BARBOUR. He did not get any?

Mr. MONAGHAN. No, sir.

The CHAIRMAN. Were his activities confined to the military-cartridge business?

Mr. MONAGHAN. The other day you were not here when I explained that our principal activities in the export field are on commercial ammunition and not on military, and that is very clearly proved by the very small percentage of our business that is classified properly as "military." I believe 94 percent of our export business over the last 10 years is commercial ammunition.

The CHAIRMAN. This letter would lead one to believe that this agent was looking not for commercial business but was looking alone for military cartridge business.

Mr. MONAGHAN. These agents looking for commissions will chase these rainbows, and we do have our difficulties keeping them in the profitable end of the business, which is the commercial end. They believe one big sale on the military——

The CHAIRMAN. Is the commercial end of the business as profitable to the salesman as the military end?

Mr. MONAGHAN. It is more—if they would look at the profitable sale—more profitable.

The CHAIRMAN. But they do not?

Mr. MONAGHAN. The trouble is they are chasing rainbows, and that is the trouble, keeping them down to the regular routine of the commercial sale.

The CHAIRMAN. Is it not proper to assume that they are finding the military business more profitable than they do the commercial business?

Mr. MONAGHAN. No, sir; I do not think so. You can check up the military sales, all we made, such as with Fernandez, and find the commercial end far more remunerative than the other. They do not sit down and analyze it, but are intrigued by the military end of it and think they are effecting a big sale, a big deal.

Senator BARBOUR. Mr. Monaghan, this business you referred to of representatives from Czechoslovakia, Spain, et cetera, is not that an unusual situation in such a small place?

What do you speak of in connection with such things? We are wondering about the stimulation of sales, in other words.

Mr. MONAGHAN. No, sir; I do not think so. They would be attracted by the fact that there was a prospect of the countries buying. In our own experience we would send someone to the market or direct our agents' attention to the business, through it having reached us first that that nation was in the market and wanted to buy, rather than going around and trying to foist any ammunition on them.

Senator BARBOUR. I was wondering whether the whole administration in a country under those circumstances could not be corrupted, to put it baldly. Is not that likely to occur?

Mr. Monaghan. I do not believe it is; not under our method of doing business, at least.

Senator Barbour. No; I do not attribute it to you people here. What I am trying to get at is, what is the situation there, and what is the business all about?

Mr. Monaghan. Where you get as many people as this competing for business in a small country, such as we have before us, you have got to get the price down so low that there is not much in it for anybody, and particularly I mean the man that gets the order eventually.

Senator Barbour. Here is a letter which may throw some light on this, and it may not. It is under date of April 25, 1932, to the Remington Arms Co., also being from Fernandez. I will offer that for appropriate number.

(The letter referred to was marked "Exhibit No. 969" and is included in the appendix on p. 2613.)

Senator Barbour. The first paragraph of that letter reads as follows:

> I wish to confirm my letter to you dated the 16th instant. You will probably have received the order for Rentas from Mr. Armando Frankel and probably you will have received advices from the bank that the outstanding draft has been paid. As you perfectly know I sold that merchandise sometime last year, at the old list prices. There was an average of 10 percent for Mr. Lemus at that time, the Proveedor General del Gobierno. Since Mr. Lemus has been kicked out we do not have to pay him up.

In other words, as I gather this, when the order was placed, there was 10 percent in it for Mr. Lemus, and at that time he was the Proveedor General del Gobierno, but since that time he has got "the air", as far as the position of Proveedor General del Gobierno is concerned, and he does not have to get the 10 percent. Is that right?

Mr. Monaghan. The original letter, I very clearly recall looking at the other day, and there was a notation in the right margin of it alongside the paragraph, "Nothing doing"; and he did not get anything because there was not any such understanding with anybody.

Senator Barbour. It was not because he was kicked out?

Mr. Monaghan. No, sir; there was no understanding in any way with anyone down there getting 10 percent overage, commission, or anything else, on this order.

Senator Barbour. On page no. 2 there is reference to a man by the name of Brooke [reading]:

> very wealthy and influential. He always gets permits because he advances money to public officials; including the President himself.

That is rather a startling statement. I know that you are not responsible for it, but did it surprise you when you got it, or did you make any inquiry about it, or did you take it as a matter of course?

Mr. Monaghan. Very interesting reading. We never had any relation with this Mr. Brooke other than the report which you have read here, and never had anything more to do with him.

The Chairman. Do you believe that this agent knows what he is talking about?

Senator Barbour. He seems to have many names in mind.

The Chairman. I ask the question quite seriously: Do you think that this agent knows what he is talking about when he reports what somebody else is doing?

Mr. MONAGHAN. That is a pretty hard thing to do, to report on what somebody else is doing and report on all the facts, Senator? Do you not think so?

Senator BARBOUR. He is your source of information for these things?

Mr. MONAGHAN. The source of information for the point indicated in the letter. That is all.

Mr. WOHLFORTH. Mr. Monaghan, you know Mr. Fernandez pretty well, do you not?

Mr. MONAGHAN. Yes, sir.

Mr. WOHLFORTH. You have pretty good trust in him, in the way he handled these business matters?

Mr. MONAGHAN. Mr. Fernandez is no longer with us, and has not been with us for a year and and some months.

Senator CLARK. How did he happen to quit?

Mr. MONAGHAN. We decided to make a change in the method of selling in the markets which he covered for us.

Senator BARBOUR. Would that change, in your opinion, interest the committee?

Mr. MONAGHAN. No, sir; I think not.

Senator BARBOUR. To read on a bit in the letter [reading]:

> I asked Mr. Ochoa the Minister of War in a very diplomatic way who was the persona grata with him and the President for Government business and he sent me over to Mr. Cornelio Zamora of the firm of Zamora, Henriquez & Co. It seems that this firm is now doing all the Government business, and they split with the officials the commission and overages; etc.

That is a very clear-cut and direct businesslike statement of just what is going on.

Mr. MONAGHAN. We never had any business dealings through this firm of Zamora, Henriquez & Co.

Senator BARBOUR. Do you really think that is a true statement?

Mr. MONAGHAN. We never had any business, and I do not know beyond this statement in the letter.

Senator BARBOUR. Now we pass to another letter, Mr. Chairman, which I think illustrates to what lengths salesmen have to go in order to make sales. I will offer it as "Exhibit No. 970."

(The letter referred to was marked "Exhibit No. 970" and is included in the appendix on p. 2614.)

Senator BARBOUR. I am referring to a letter of April 7, 1932, also by Fernandez to the Remington Arms Co., and I will pass to the second page [reading]:

> The order was put through the consul of the National Guard, and has been decided, etc., etc. We only need the signature of General Llanos, the head of the Guardia Nacional. Yesterday we talked to him, and he informed us not to worry, as the order is ours. No matter what the competition say or holler. They are discounting 10 colones every month from each soldier of the Guardia (750), making a total of 7,500 colones every month to pay for the pistols and the ammunition. They are depositing these amounts in a bank in a joint account Armando Frankel-Guardia Nacional. You see, these pistols have to be shipped from Germany and the cartridges from New York. It does not matter how soon you will receive the order, as it will have to be held up at your office until Mr. Frankel advises you to ship, so that the cartridges would arrive more or less about the same time as the pistols. By the time that the pistols are ready there will be enough money in the bank to pay for the cartridges, and Mr. Frankel will see to it that you get your money first, as he has agreed with me.

Now, it seems to me that I have never heard of a case wherein these poor soldiers themselves are fined in order to pay for an order of shells. Apparently there was money enough to buy the pistols but not money enough to buy the cartridges.

Is this a new departure or has that been a common thing? Have any of you gentlemen heard of that before?

Mr. Beebe. I can say this: that I do not know whether it was when I was in Mexico, somebody talked with me about it, or whether there was some correspondence, but I understand that some of these officers have to buy their own pistols and their own cartridges, and they have not enough money to buy one outright and put up the money, but arrange to have so much taken out of their pay each month, which is done for other things in this country.

Senator Barbour. That is, each soldier of the guard?

Mr. Beebe. I do not know whether the soldier has the pistols or not.

Senator Barbour. What does 10 colones amount to in depreciated American money?

Mr. Jonas. About $2.

Senator Barbour. A moment ago we mentioned the probable effect of this type of competition. Here is a letter of July 6, 1934, from F. S. Jonas to the Remington Arms Co., a very long letter, which I will offer for appropriate number.

(The letter referred to was marked "Exhibit No. 971" and is included in the appendix on p. 2616.)

Senator Barbour. I will read the last paragraph first, if I may [reading]:

> The Salvador Government would not give me permission to take the sample rifle to Guatemala; however, they consented to my taking it to the other Central American Republics, but I had to agree to return it, as it was shipped to them gratis and has been entered on the Government records. Evidently they are not on very friendly terms with Guatemala, and as soon as there is a rumor that Guatemala has made a purchase they do likewise.

That refers, Mr. Chairman, to something that I mentioned, and undoubtedly others have mentioned at the very beginning of the hearing, about a sale in one instance immediately stimulating a sale in another instance.

Is there any comment you would like to make on that? There are a number of other passages which I have marked in this letter.

The Chairman. I suggest, Senator, if they have relation to this very important subject, that those passages be read in their entirety.

Senator Barbour. It does not directly, Mr. Chairman.

Mr. Monaghan. There were no sales made of that rifle.

Senator Barbour. That is a 7-millimeter Remington, is it not?

Mr. Monaghan. Yes, sir. It was some time ago, because our agent down there said they were interested in them, but there was no sale made to either Salvador or Guatemala.

Mr. Wohlforth. You made sales to other countries of that same rifle down there, did you not?

Mr. Monaghan. We made a sale to Honduras. That was the first sale of a military rifle that we had made since the World War.

Senator Barbour. That is the point I was really going to come to.

The Chairman. What is the date of this?

Senator BARBOUR. The date of this is July 6, 1934, and the rifle was a single-shot rifle, was it not?

Mr. MONAGHAN. No, sir; it is a repeating five-shot bolt-action and not automatic.

Senator BARBOUR. I guess that is what they mean by referring to it as single-shot once or twice in the letter.

Now, on page 3, the third paragraph [reading]:

> This Government has a stock of over 3,000 new model 1901, 7-mm Remington single-shot rifles and 4,000 11-mm rifles.

That is not the one?

Mr. MONAGHAN. No, sir. That is an old rifle, the best I could find out from delving into memory and our records, probably purchased around 1900.

Senator BARBOUR. In the next letter further light is shed, as I see it, on this competitive situation, and I am referring to a letter under date of July 3, 1934, attention of Mr. Monaghan, from F. S. Jonas again. I will offer that for appropriate number.

(The letter referred to was marked "Exhibit No. 972" and is included in the appendix on p. 2619.)

Senator BARBOUR. I will read the last two paragraphs on page 1 [reading]:

> They are very much interested in purchasing a 50-caliber Colt machine gun. I was not sure of the price, so quoted approximately $1,500. Please ask them to send me particulars and also prices on their 7-mm auto rifles.

Automatic rifles, is that right?

Mr. MONAGHAN. Yes, sir.

Senator BARBOUR (continuing reading):

> They want to standardize their ammunition to this caliber only.
>
> I am told that they have no money and then again it is said for army equipment, somehow or other, they are always able to raise the money. I have not learned of any large purchases they have made, except 150 reconditioned 7-mm Maxims, which were purchased in Europe.
>
> It is rumored that the only way that this President can hold his job is through being well prepared, so I have hopes of the various rainbows coming through.

We realize you are not responsible for that observation, or your company, but what interests the committee, as I see it, is the fact that he makes a report to you, and, whatever you want to say about the reports, they are humorous as well as interesting, and interesting as well as humorous, but he does say that the President can hold his position only "through being well-prepared, so I have hopes of the various rainbows coming through."

The rainbows, I suppose, refer to a lot of "greased" orders?

Mr. MONAGHAN. Orders, without the adjective. I would like to say also, Senator, on this matter of the Colt machine gun, we do not make it. Nothing was done about that. We spoke to Colt about it, and they stated at that time they had an agent down there, and any business that was done would be done through their agent.

Senator BARBOUR. Mr. Davis, does your company deal in manufactured machine guns at all?

Mr. DAVIS. No, sir.

Senator BARBOUR. The next exhibit is a contract, and I do not believe there is any need to read the preamble, because it is the usual preamble between a company and a government. The interesting thing about it, as I can see it, is what the contract calls for.

I will offer that for apropriate number.

(The contract referred to was marked "Exhibit No. 973" and is included in the appendix on p. 2620.)

Senator BARBOUR. I notice that there are—

3,000 "Remington Enfield" rifles, model 1934, caliber 7 mm, without bayonets, but with sling straps, $26 per rifle, c.i.f. Amapala, total price	$78,000
(Pencil note) caliber 7 mm.	
1,000,000 cartridges "Kleanbore Smokeless", $23 per thousand, c.i.f. Amapala, total price	23,000
50,000 cartridge clips 7 mm, $10 per thousand c.i.f. Amapala, total price	500
200,000 cartridges, .45 caliber Colt automatic "Kleanbore Smokeless" for Thompson machine guns, $16 per thousand, c.i.f. Amapala, total price	3,200
500 Thompson machine guns, 21–A, $140 each, f.o.b. New York, total price	7,000

Now, this is a contract with Remington, and it does cover machine guns. It is for machine guns which they sold but did not make. Is that the idea?

Mr. MONAGHAN. Those guns were sold to the Government merely as a courtesy. The Government paid us the identical sum for those guns that we paid the Thompson people for them. It is one of the very unusual cases we have ever had of such a transaction. But here was Jonas down there negotiating this order. They asked him to put in the machine guns with the order at the same time, and we did so as a courtesy merely. We did not make a cent on them anyway.

Senator CLARK. Jonas also represents a gas company down there, does he not?

Mr. MONAGHAN. Yes, sir.

Senator CLARK. And they were the agents for the Thompson submachine guns?

Mr. MONAGHAN. Yes, sir.

Mr. DAVIS. It is not my understanding that he represents anyone but Remington.

Senator CLARK. He testified at the last hearing that he did.

Mr. MONAGHAN. After reading the testimony when he was here, we did realize he did some work for the other company. We were not aware of that when he went on the mission.

The CHAIRMAN. You were not aware that he was a representative of Federal Laboratories?

Mr. MONAGHAN. That he was to do anything for them in any way. He was on a salary trip for us and was not doing anything except work for us.

Mr. HANDY. That was our definite understanding with him.

The CHAIRMAN. On this specific trip?

Mr. MONAGHAN. Also the trip before that, when he went down to Brazil and Argentine for us on commercial business for those countries.

The CHAIRMAN. Is he down there now?

Mr. MONAGHAN. He is in Puerto Rico now.

The CHAIRMAN. In whose employ is he now?

Mr. Monaghan. In our employ.

Senator Barbour. I do not want to split hairs, Mr. Chairman, but in the contract it states:

> Whereas Remington is a manufacturer of and dealer in arms and ammunition of the type and kind referred to

And so forth, and so forth, and Thompson machine guns is one of the items referred to in that categorly. Personally, I am willing to take your explanation of it, but in your preamble there it would, of course, be misleading for you to state that you are a manufacturer of guns.

Mr. Monaghan. The wording of that contract followed the placing of the order. That was the reason for the "dealer in." I pointed out to the man drawing up the agreement up here that we were not manufacturers of these Thompson machine guns, and we only handled it as a courtesy for the Government. That was the reason for that wording going in there. We do not make a practice, as I said before, of dealing in anything except what we manufacture ourselves.

Senator Barbour. Did you get the export license for the whole thing, Thompson guns and so forth?

Mr. Monaghan. Yes, sir.

Senator Barbour. Was that explained at the time you got the license for the export?

Mr. Monaghan. I do not believe there was any question in the application form, where it was necessary to go into that detail.

Senator Barbour. Mr. Chairman, here is another letter from Mr. Fernandez, dated June 10, 1931, which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 974" and is included in the appendix on p. 2622.)

Senator Barbour. That reads:

> Pursuant to the conversation I had with you upon my arrival to New York 2 weeks ago, I wish to inform you that the extra 5 percent charged to take care of certain party in Tegucigalpa as agreed by the writer, part of the total amount of $740.25 has already been paid up to Mr. Francisco Argueta of San Salvador. This Mr. Argueta received instructions to receive this amount from Coronel Villanueva or the party who was interested in Tegucigalpa. I effected a payment of $300 to Mr. Argueta in San Salvador, when you cabled me the $500. Before I left San Salvador I handed Mr. Argueta the amount of $150 making it a total of $450. Two days ago I received the attached cable from Mr. Francisco Argueta (Chico) as everybody nicknames him, requesting of me to turn over some funds to a friend of his here in New York. Today I will hand this party here in New York the sum of $75 and as you have arranged that this amount be turned over to us, I wish to report that as soon as the balance of the amount is turned over to me, I will remit to Mr. Francisco Argueta a bank's check for the balance of $215.25, thus completing this transaction.
>
> I further state that this is my understanding that Mr. Argueta is a relative of residing in San Salvador of the party in Tegucigalpa, Honduras.

What I want to show is that $500 was cabled to Fernandez, and with the additional amount of $240.25, $740.25 was paid to him for what, except to give to these different people who are cited here; and who were they? If that is not what it is, what does the transaction cover? You have got the letter there. Do you know what it all means?

Mr. MONAGHAN. I would like to explain it. I have a very complete file on that, and if you will let me go into it, it will show you an entirely different picture than this letter, standing out by itself.

Senator BARBOUR. That is just what we want to know about. By the way, I should have mentioned that this gentleman, whose name begins with V, is a colonel. However, you are going to tell us about it, and we would be glad to have you do so in your own way.

Mr. WOHLFORTH. Mr. Monaghan, will you look for a letter dated April 20, 1931?

Senator BARBOUR. Let me say again, Mr. Monaghan, that it was a letter dated April 20, written by yourself to Mr. Fernandez that we are interested in. Do you recall any such letter?

Mr. MONAGHAN. I have heard from numerous sources about there being such a letter, but I cannot find it. I would like to say here that here is a letter from Fernandez with a rubber stamp on it that looks like April 20. It is April 29, if you will look closely; I believe that is the letter they mean.

Mr. WOHLFORTH. That letter we refer to was the one dated April 20 from you to Mr. Fernandez, and it was supposed to explain the contents of this letter under discussion. I do not know whether such a letter exists, but we heard about it.

Mr. MONAGHAN. Would you give me some more information on it, and let me help you find that letter?

Senator BARBOUR. Is Mr. Fernandez in New York now?

Mr. MONAGHAN. I believe so; yes, sir.

Senator BARBOUR. Have you been in communication with him recently?

Mr. MONAGHAN. Yes, sir. He called me up on the phone when the investigators of your committee called on him the first time.

Senator BARBOUR. Did you refer to this particular letter that the investigators were trying to locate?

Mr. MONAGHAN. He asked me to tell him what that letter was, that the investigators had asked about it, and he could not find it in his file. He said, "Will you look in yours?"

I said, "Yes, I will."

I looked it up, and that is how I came across this letter here that looks as though it might be April 20 and had misled somebody, when on close inspection you will find it reads "April 29." He insisted there was such a letter of April 20, and I told him I could not find any, and he could not find it either.

Mr. WOHLFORTH. Did Mr. Fernandez call you or did you call Mr. Fernandez?

Mr. MONAGHAN. Mr. Fernandez called me. He asked me what to do. I said, "There is only one thing you can do, it is the same thing we are doing, give the investigators everything you have and tell them everything you know."

Mr. WOHLFORTH. Is that the substance of your conversation?

Mr. MONAGHAN. Yes, sir.

Senator BARBOUR. To get back to this letter of the 10th, can you give us any more information with relation to these expenditures?

Mr. MONAGHAN. Yes, sir; I think I can. There is quite a voluminous file on that order. We have a letter here to Fernandez dated April 29:

> Since writing you our other letters enclosed, we received yours, dated Tegucigalpa, dated April 25, with the order for the Honduras Government.

You have a copy of that letter. This letter relates to the fact that "we are going to make a shipment within a few days of a certain part of that order", and the money was received about that time, April 29. What I am pointing to is that this letter here of June 10 that you speak of, of the payment of $740, was subsequent to our having received the order from Fernandez, and the money being received or the credit being opened in the bank in New York—I forget which—covering that order. The letter of June 10, being subsequent to the whole transaction so far as the order and the payments are concerned, was something that occurred after the sale had been completed, and was our first knowledge that there was any such sum involved as this $740.

Senator BARBOUR. He says at the bottom of the letter there, at the very end, "I received the sum of $740.25 in payments as noted." In other words, he got the money all right.

Mr. MONAGHAN. Yes, sir. It was paid to Mr. Fernandez. He said he paid it out in accordance with this letter here that he wrote out. So when we gave him the $740.25, we got his receipt for that money as noted on the bottom of the letter.

Senator BARBOUR. Yes.

Mr. WOHLFORTH. Did you give Mr. Fernandez instructions as to how or to whom to pay that money?

Mr. MONAGHAN. No, sir. The first indication or intimation we had of any money such as this being paid out on this order was at the time Mr. Fernandez came into our office and asked for this $740 and substantiated his request by this letter. We do not know, and did not then know who Col. Villa de Nueva is, whether he is a Kentucky colonel or a South American colonel.

Mr. WOHLFORTH. You have seen the name before you saw it in this letter, have you not?

Mr. MONAGHAN. No, sir; I did not.

Senator BARBOUR. Is there anything further you want to ask about that? It simply is not at all clear to me. It is an amount which I think has gone to those different people.

In the meantime we will get along, because we have a great many more exhibits.

Mr. MONAGHAN. Senator, might I say there that we have never had any real information about what this letter is of April 20, on which so much stress seems to be placed. I do believe that it arose from that rubber stamp on there that looks like April 20, and is really April 29. Here is the letter of April 29.

Senator BARBOUR. I know, of course, nothing about it at all, simply that that report comes to me from the investigators, that there was some discussion there and I wanted to run it down, because your explanation may be the true one, although the report, as I get it, was that there was a letter from you to Fernandez and not a letter from Fernandez to you.

Mr. MONAGHAN. There was no such letter, Senator.

METHODS OF DOING BUSINESS—DOMINICAN REPUBLIC

Senator BARBOUR. We have the next letter, which is dated December 22, from Mr. Monaghan to Mr. Norvell, who was then president of the Remington Arms Co., I believe.

(The letter referred to was marked "Exhibit No. 975", and is included in the appendix on p. 2622.)

Senator Barbour. It refers to a certain action taken by Mr. Monaghan relating to the stopping of a foreign order to the Dominican Republic.

> We have recently had an example of how the United States Department of State at Washington, D. C., can help us.

Skipping the second paragraph, I will read the third:

> When we approached the State Department they admitted knowing something of the deal but were glad to get the additional information we had obtained. They sent a copy of our letter giving the full facts to our minister at Santo Domingo. They are willing to shut their eyes to small graft on such transactions in Latin American countries but they felt this was going too far especially as the Dominican Republic still has a lot of unsettled American claims. Our agent, who knows nothing of our dealings with the State Department, which have to be strictly confidential, now reports the President of the Dominican Republic called for an investigation with the result the contract for the .303 rifles and cartridges has been canceled and the first installment is to be shipped back. Our chances of regaining the business are, therefore, very bright for the President has issued an order that in future all purchases are to be made direct from manufacturers.

Is this the only cooperation of the kind that you received from our State Department, Mr. Monaghan, or have you gotten it before? How much graft is the State Department willing to shut its eyes to?

Mr. Monaghan. This was a communication from me to the president of our company.

Senator Barbour. To the president of the company?

Mr. Monaghan. To the president of our company.

Senator Barbour. From you?

Mr. Monaghan. And I did believe that we were doing something worthwhile in attempting to get the business of the Dominican Republic for newly manufactured arms or ammunition, which would help American workmen here, instead of selling the war stuff that was offered at this time by some concern in England or Germany, I forget which—England or Hamburg.

Senator Barbour. England, I think. I think we have that.

Mr. Monaghan. I am not sure.

Senator Barbour. I am referring to the cooperation that you got from the State Department and their knowledge of graft, and their not minding it up to a certain point.

Mr. Monaghan. Certainly it was not a State Department statement. It was an individual that I knew in the State Department. Perhaps we talked of it in passing, not as an official statement from him—certainly I did not consider it that way; I went there, I believe, at the time to talk to him about Cuba, having been down there. I discussed things in Cuba, and discussed this matter of Santo Domingo. Naturally, in the course of such a conversation some little personal remark would slip out, which was responsible for this statement of mine.

Senator Barbour. You make a very clear statement to your president in your letter. While I do not want to overemphasize this, it certainly gave me the impression that the State Department was cognizant that there had to be a certain amount of graft, and up to a certain point they had no objection to it.

Mr. MONAGHAN. No; I do not think that is the proper conclusion to draw from this letter of mine, because I have never had any such official statement from the State Department.

Senator BARBOUR. There may be honest differences of opinion, but they, as the State Department—

> are willing to shut their eyes to small graft on such transactions in Latin American countries, but they felt that this was going too far.

The CHAIRMAN. Whom do you contact in the State Department in matters of that kind?

Mr. MONAGHAN. On that occasion I think it was Mr. S. W. Morgan.

The CHAIRMAN. That was back in 1928?

Mr. MONAGHAN. 1928.

Mr. WOHLFORTH. Mr. Monaghan, is this just a chance conversation that you had about this Dominican order with the State Department?

Mr. MONAGHAN. No. What I said was a chance remark, perhaps, of his, but it was not a chance talk with him of the thing. I related the facts to him in quite some detail, of this attempt to sell the wartime stocks from Europe.

Senator BARBOUR. It is one thing in the statement you write, and in sense is another?

Senator CLARK. What did you mean to say by that statement in the letter, Mr. Monaghan, if you did not mean to say what it sounds like, when you say:

> They are willing to shut their eyes to small graft on such transactions in Latin American countries but they felt this was going too far, especially as the Dominican Republic still has a lot of unsettled American claims.

That seems to be a perfectly clear statement. If it does not mean what Senator Barbour said it meant, what does it mean?

Mr. MONAGHAN. I certainly do not believe the State Department in any dealings I have had with them would indicate they would make such a bald official statement, that they would countenance any small graft.

Senator CLARK. You wrote this letter, did you not?

Mr. MONAGHAN. Yes, sir.

Senator CLARK. Just explain to the committee what you did mean when you said—

> They are willing to shut their eyes to small graft on such transactions in Latin American countries, but they felt this was going too far.

That does not seem to be susceptible of more than one interpretation. Just what did you mean by it?

Mr. MONAGHAN. Perhaps the comparison of the thing. I believe at that time those rifles to the best of my memory were, oh, around $50 to $60, say, and they were obtainable in Europe for about $10, which would make anyone laugh that knows anything of the business of selling manufactured items, to pay a price of $10 in one market and resell the same item in another for $50 or $60.

Senator CLARK. Did anybody in the State Department tell you that they were willing to shut their eyes to small graft on such transactions?

Mr. MONAGHAN. I said I did not look at it as an official attitude of the State Department, no.

Senator Clark. Here is the whole paragraph again, Mr. Monaghan:

> When we approached the State Department they admitted knowing something of the deal but were glad to get the additional information we had obtained. They sent a copy of our letter giving the full facts to our Minister at Santo Domingo.

That was an official action of the State Department.

> They are willing to shut their eyes to small graft on such transactions in Latin American countries but they felt this was going too far, especially as the Dominican Republic still has a lot of unsettled American claims.

What was it that was going too far?

Mr. Monaghan. Buying an item at one price, of $10, and selling it for $50 or $60.

Senator Clark. Did they give you any idea of the size of graft they were willing to shut their eyes to, and where they drew the line when you stepped over from the small graft category into the situation where they were going too far?

Mr. Monaghan. Perhaps when you go back and take that one little word "graft" there——

Senator Clark. That is a word of rather large significance, I think, in this transaction, Mr. Monaghan. It has not very many letters in it, but it is of considerable significance in what we are getting at.

Mr. Monaghan. Perhaps the impression was more to the effect that if there were a commission, a small commission above that price of $10 for those rifles, they could not say anything, but when it became such an outrageous difference as from 10 to 50 or 60 dollars, certainly then it would not come into the class of commissions.

Senator Clark. In other words, they are willing to condone petty larceny but not grand larceny?

Mr. Monaghan. Oh, no; I do not think that.

Senator Clark. This apparently is another one of those instances such as we had the other day, Mr. Monaghan, where you want to delete some of the words from your own letters.

Mr. Monaghan. Every man when he writes a letter and reads it over again the next day would change it, he would not leave it in its entirety.

Senator Barbour. Unless somebody else wants to pursue the same subject, that covers all of it.

The Chairman. We are getting nowhere so fast on that I think that we might well leave it.

Senator Barbour. That brings us to a letter of April 17 to Mr. Monaghan from Smith & Wesson. I offer it in evidence because it refers to the contribution made by the Remington Arms Co. to a political campaign in Santo Domingo.

(The letter referred to was marked "Exhibit No. 976", and appears in full in the text.)

Senator Barbour (reading):

> We are just in receipt of a wire from Bro. Nicolas, reading:
>
> "Party asking campaign contribution $1,000, ready contribute $500, expecting secure balance from Ellis, Remington, Philadelphia, Fisch, and yourselves $100 each, cable acceptance to send sight draft. Thanks."

The Chairman. To what country does it relate?

Mr. Monaghan. Dominican Republic.

Senator BARBOUR (reading):

> Presumably you have had a similar message.
>
> Before replying we should like to know what your reaction is to the somewhat strange appeal.
>
> Hitherto we have spent nothing in advertising in Santo Domingo, and if Bro. Nicolas is lucky enough to put his money on the right horse, I should think that the proposed $100 investment should be a good one. In my varied associations with Latin Americans I have had some curious propositions, but never one to contribute to any political campaign fund.
>
> According to the last cables that I saw, they propose to run Morales, formerly the Minister at Washington, for vice president, though at one time he was scheduled for the premier post.
>
> What are your latest advices?
>
> Whilst we haven't any $100 bills growing in the back yard, I am inclined to recommend that we make the contribution without delay.
>
> Please be good enough to reply by return mail, using the enclosed stamped-addressed envelope.

You got this letter, Mr. Monaghan, from Mr. Bungey?

Mr. MONAGHAN. Yes, sir.

Senator BARBOUR. You recall the incident?

Mr. MONAGHAN. Yes, sir; I do.

Senator BARBOUR. What did you do about it?

Mr. MONAGHAN. We were in the same position as he expresses it there—that this is the first time he has had any proposal to contribute to a political campaign fund. Dr. Morales, that he speaks of, the former Minister at Washington, some of us in the company knew personally. I did. We credited Mr. Nicolas' account with that $100 more as a personal matter than as a business one. Certainly we never expected a $100 contribution to get us very far.

Senator BARBOUR. What do you mean by that, that you would have to come higher than that to be effective?

Mr. MONAGHAN. As I say, it was the first time we have had any occasion to contribute to a political campaign fund such as Nicolas proposes here, and he kept pressing us to make this contribution. We did do it.

Senator BARBOUR. It is not a practice of munitions concerns to make political campaign contributions?

Mr. MONAGHAN. No, sir; it is not. It is the only one that I know of.

Senator BARBOUR. Mr. Davis, do you know of any other?

Mr. DAVIS. I do not. I think this was before the acquisition of the Remington Arms Co. by the du Pont Co. It is certainly not our policy to make any campaign contributions, either here or abroad.

Senator BARBOUR. It is a fact the contribution was made, Mr. Chairman. And by the next exhibit, which is a letter from Nicolas under date of June 17, it seems that the candidate Morales was not elected.

(The letter referred to was marked "Exhibit No. 977", and is included in the appendix on page 2623.)

Senator BARBOUR (reading):

> As per my letter of last mail, which you will surely receive together with this mail, as it could not be placed in the mails until after the steamer had left, you will be advised that the permit situation is the same, maybe worse at present because the Army is now after a few generals that took the mountains against the actual government. No permits will be issued to anybody while peace and tranquility are unstable.

> The reason for my mail not getting the last boat was that a few minutes after it was written, I was induced to hide by some friends who knew in advance that the order to imprison me had been given by Government officials. On Wednesday noon, after communicating with the general, I gave myself up and was locked in Columbus place at the Torre del Homenajo, for 48 hours, after which I was released. The reason for my prosecution has been given as "For being a friend of Dr. Morales and selling arms and ammunition to the revolution." This charge was made by some competitors interested in wiping me out of the map and taking any agencies away, both of which things they will be unable to do.

At the latter part of the next paragraph:

> I also informed him that I am no politician and that my business was to work and sell everybody that came in power, and that he will find me ready to cooperate with him to that end.

Senator POPE. He bet on the wrong horse that time, did he not?

Mr. MONAGHAN. I would like to say this, Senator, that he did not sell any cartridges or arms of ours to any revolution down there that I know of.

Mr. WOHLFORTH. Did Mr. Morales ever visit your factory in Bridgeport?

Mr. MONAGHAN. No, sir; I do not think he did.

Mr. WOHLFORTH. You did not ever sell him direct?

Mr. MONAGHAN. No; we did not.

Senator BARBOUR. In the next letter offered in evidence we have a breach of etiquette, according to the munitions companies' standards, apparently.

(The letter referred to was marked "Exhibit No. 978", and is included in the appendix on page 2623.)

Senator BARBOUR. This letter is dated June 10, 1932, from Mr. Monaghan to Mr. Nicolas, and the committee after hearing the previous testimony appreciates Mr. Monaghan's concern as expressed in the last paragraph. I think that is all we need read, unless Mr. Monaghan wants anything else.

> It is rather interesting to learn from your letter that Mr. Naramore is wearing the uniform of a captain of the United States Army. This, to say the least, is a serious breach of etiquette and perhaps a more serious charge could be brought. It is our understanding an officer of the Army is not supposed to wear the uniform except on active duty or state occasions. Certainly Mr. Naramore is not entitled to wear the uniform when representing the Lyman Gunsight Corporation, which was the case when he was in Santa Domingo.

The CHAIRMAN. What was the occasion for that letter?

Mr. MONAGHAN. I understood Mr. Naramore was down there—I do not know the full details of it, he never told me—on some mission for the Dominican Republic in the way of reloading cartridges. I did not believe, partly selfishly from a business standpoint, and also in the interests of the Government, that it was wise for a government like that to try to reload ammunition, and eventually have cartridges that would have excessive breech pressures, and in fact the qualities be so poor in every manner that they would not be suitable for use.

The CHAIRMAN. Who was Naramore?

Mr. MONAGHAN. He was employed by the Lyman Gunsight Corporation.

The CHAIRMAN. Had he been in the service of the Army or the Navy?

Mr. MONAGHAN. I do not know.

The CHAIRMAN. How did he come into possession of a uniform of a captain of the United States Army?

Senator BARBOUR. That was the question that I had in mind.

Mr. MONAGHAN. He is known as Captain Naramore. I believe it is Captain Naramore.

Mr. BEEBE. I understand so.

Senator CLARK. Do you happen to know, Mr. Monaghan, whether the Department has any regulation or order on the subject of munitions salesmen wearing Reserve officers' uniforms?

Mr. MONAGHAN. What I stated that I have found out about it is all incorporated in that paragraph, that I did not believe it was proper for him to do so.

Senator CLARK. I do not think it was proper for him to do so, either, but so far as I have been able to find, there is no Army regulation or order of the War Department against it. At the last hearings here in September, we had one instance of a poison-gas concern which put out a very elaborate catalog with pictures of all of its principal officers in uniform as Reserve officers in the United States Army. The president of the company was in the habit of writing letters to South American countries offering to establish poison-gas plants for them and train a chemical warfare service, and of signing himself "Lieutenant colonel, U. S. A. Reserves." I was just wondering if you have been able to find any regulation against such practices as that.

Senator BARBOUR. Are you through, Senator?

Senator CLARK. Yes.

The CHAIRMAN. Did you investigate this matter any further?

Mr. MONAGHAN. No, sir.

METHODS OF DOING BUSINESS—COLOMBIA

Senator BARBOUR. Leaving Central American republics for a moment, let us turn to South America. Remington sold Colombia a large order of ammunition in 1932, and this order was secured by your agent Restrepo. We understand that you had what your firm termed "unfortunate publicity" in connection with this order. Anyway, I will read from your letter to Mr. Roger L. Bracken of October 27, 1932.

> I am very glad to confirm the good news Restrepo sent you. He is certainly doing a wonderful job for us and the way he is taking hold of things the last few months has simply been a revelation to me. I don't think I ever had a man in the foreign field who kept us so informed of the complete picture of things as they were happening. Yes, indeed, you were due for thanks in having trained him and recommended him to us.
>
> We had some unfortunate publicity in connection with the Colombian order and for that reason we are now doing mighty little talking about it, so we ask you to hold it confidential.

(The letter referred to was marked "Exhibit No. 979", and is included in the appendix on p. 2624.)

Senator BARBOUR. Now, what was the nature of that publicity and what was there that you did not want to become public or otherwise, to do anything or say anything, to help the committee understand the paragraph there, which might have a great deal of significance?

Mr. Monaghan. We attempted at all times to keep confidential any orders that we received from a foreign government, and in some manner the New York Times published around that time the information that we had received this order from Colombia for cartridges, and there was quite a stir by Colombia about it getting out that way. They felt we should have held it more confidential.

The Chairman. From whom do you keep those things confidential? Everyone?

Mr. Monaghan. The publicity that they objected to was that it was published in the press.

The Chairman. How could you keep a thing like that secret? Surely the shipping records would show what you were shipping down there, wouldn't they?

Mr. Monaghan. But it was not necessary perhaps for us to make the statement. I believe the president of our company made the statement that we had received this order. It was not kept confidential in every respect. The State Department knew of this order.

Senator Barbour. As a matter of fact, the publicity to which you refer was simply ordinary newspaper publicity?

Mr. Monaghan. Correct.

Senator Barbour. And for trade reasons or otherwise you do not want any newspaper publicity?

Mr. Monaghan. That is another reason; we would not want our competitors to know about it.

Senator Barbour. I say, you would not want them to know.

Mr. Monaghan. No.

Senator Barbour. I do not want to say the wrong thing, but you feel the munitions business should be kept as secret as possible, as far as the press is concerned, and the public? Do you agree with that?

Mr. Monaghan. I believe our relations should be that way and the business we get should not necessarily be spread in the public press.

Senator Barbour. I am not saying that I agree with you or disagree with you.

Mr. Monaghan. That is our feeling.

Senator Barbour. I just want to get clear the fact that that is the sort of thing you refer to.

Mr. Monaghan. When it gets in the press it hurts not only the munitions business of this country, but it hurts all export business of this country.

The Chairman. Is that why there comes from your industry so much objection to international plans for providing greater publicity for the traffic in arms?

Mr. Monaghan. I do not know of anyone in our company who has ever objected to publicity in the international sense of every government participating in it, but that has not become an established fact as yet. If and when it does, certainly there would be no objections on our part to it, so far as I know.

Senator Barbour. Here is a letter, Mr. Chairman, from Roger L. Bracken, export manager of Miller Falls Company, to George Rugge, dated October 25, 1932.

(The letter referred to was marked "Exhibit No. 980" and appears in full in the text.)

Senator Barbour. I read the first paragraph:

> In a letter just received from our good friend, Restrepo, I understand he has sent through to you a contract for $70,000, which is the result of a great deal of effort on his part and, I understand, at the outlay of some personal funds in lobbying work with certain Government departments.

I will finish the letter:

> As I was responsible, in a sense, for getting your agency for Restrepo, I feel a personal satisfaction in getting this report from him. In these difficult days, such a contract I am confident must be exceedingly welcome and I am exceptionally glad to note this evidence that Rep is apparently cashing in, and I hope he will continue to merit your confidence.
>
> With kindest personal regards,
>
> Cordially yours.

Who is Millers Falls Co.?

Mr. MONAGHAN. Perhaps I can give you in a minute the whole story there. You see, this letter preceded the one you just read that I wrote.

Senator BARBOUR. I see.

Mr. MONAGHAN. Mr. Restrepo had been employed by Millers Falls, New York, and then went to Colombia as their representative, and ours, and other companies, working on a commission basis.

Senator BARBOUR. I see. That is October 25 and this is October 27.

Mr. MONAGHAN. Yes.

The CHAIRMAN. Mr. Monaghan, did you say that this letter of October 27, previously read, was an answer to this?

Mr. MONAGHAN. I believe so. Was it not, Senator?

Senator BARBOUR. Yes; I think it is.

Mr. MONAGHAN. This is October 25. The one read just previously is the 27th.

Senator BARBOUR. The 27th; yes.

Mr. MONAGHAN. And it acknowledges the one on the 25th.

The CHAIRMAN. You say nothing in your acknowledgment there of the suggestion that was made about Mr. Restrepo having made an outlay for lobbying work. Why did you avoid in your acknowledgment saying anything about that?

Mr. MONAGHAN. I knew nothing of what he meant there. I never saw the letter to the Millers Falls Co. that he refers to. I never asked any questions.

Senator BARBOUR. Did he get any money for any such purpose or was he reimbursed for anything in that connection?

Mr. MONAGHAN. On this contract here of the 3,000,000 cartridges he received his commission. He did not receive any money for outlay of personal funds in lobby work. I know of none that he did.

Senator BARBOUR. He speaks of it here.

Mr. MONAGHAN. Well, I don't know what he wrote Bracken.

Senator BARBOUR. But you are or were conversant with what he said in his letter. This is one of those cases where the letter reads perfectly clear, it seems to me, and yet we do not have the same understanding of it when we discuss it.

Mr. MONAGHAN. No; I did not feel there was anything we owed him for any money that he should write to Millers Falls. If there was, he should write directly to us.

Mr. WOHLFORTH. You mean, you did not know anything about what he was doing down there?

Mr. MONAGHAN. Mr. Wohlforth, I did know some things about what he was doing, because I went down there to Colombia in the first part of 1933, and I did not find any evidence there of any lobbying work on his part.

The CHAIRMAN. There was the highest order of approval of the man, of what he was doing down there, wasn't there?

Mr. MONAGHAN. Yes.

Senator BARBOUR. Now, go back a little. Here is a letter dated September 10, 1932, about the time the order was being negotiated and Colombia was in arms against Peru, which I offer for appropriate marking.

(The letter referred to was marked "Exhibit No. 981", and is included in the appendix on p. 2625.)

Senator BARBOUR. I will read beginning with the third paragraph:

> Coronel Carlos Padilla, about whom I wrote you some time ago, is a very close friend of the writer as well as his family; they live next door to my home. This gentleman occupies now a high position in the Colombian Army and belongs to the Estado Mayor del Ejercito. In the strictest confidence Coronel Padilla informed me the Government wants to buy at the present time 2 million cartridges and informed me about the quotation they have from Switzerland of $22. These cartridges are intended for part of the army that is being sent to Puerto Leticia on the Amazon River, our frontier with Peru.

Going to the bottom, to save time:

> However, this Government is taking the necessary measures in order to protect our national integrity.
>
> Coronel Padilla put me in contact with Coronel Adelmo A. Ruiz—

And then, down further—

> Coronel Padilla is giving me his full support in order to get the business and is keeping me confidentially informed of this matter. Indirectly I understand he wants a commission, however, I may be wrong and am keeping a very diplomatic attitude until further developments. This gentleman also informs me he is doing his best in order to induce this Government to buy 40 million cartridges.

Then at the wind-up he says:

> Kindly destroy same as this request was made to the writer by the War Department.

Senator Clark. Who is that signed by, Senator?

Mr. MONAGHAN. Restrepo.

Senator BARBOUR. That is from Restrepo to the Remington Arms Co., marked, "Confidential."

Did this Government official receive any commission?

Mr. MONAGHAN. No, sir.

Senator BARBOUR. I am wondering why he worked for so large an order all of a sudden without any hope of compensation.

Mr. MONAGHAN. There never transpired any such order with us for 40 million cartridges. The only order we received of a big item at one time was the 3 million, and I saw Colonel Padilla down there. I established the fact that he was a next door neighbor and friend of Restrepo. I also met Colonel Ruiz. I also was very pleasantly surprised to learn when I got there that Colonel Padilla had visited our plant some years before as a member of a Colombian commission that came up here, and he was appreciative, as he told me, of the courtesies that we showed him at our plant. He thought well of our ammunition, and being a friend of Restrepo naturally he would try to get him the business.

Senator Barbour. Well, I must say in this letter there seems to be some doubt about the necessity of a special commission, whereas in some of the others it has been a very direct statement.

Going back further again, we have a letter of November 12, 1930, from Mr. Monaghan to Mr. Restrepo, which I will ask to have marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 982" and is included in the appendix on p. 2626.)

Senator Barbour. I read the third from the last paragraph on the second page:

> You will probably desire to bring every influence you can to bear to obtain this business for us, and as a suggestion we should like to mention that in some instances we have found it advisable to diplomatically ask the Minister of War or the person who will have the final say in placing the order who he would like to have us work with as our agent. In other words, who is the intermediary to see and pay commission for the business. Such commission, as we mentioned before, would have to be added to the prices we have given you.

After giving these instructions, would it not seem to follow that your agent would pay to the Government official placing the order part of his commission?

Mr. Monaghan. That is not the intention of that at all. Restrepo had never had any dealings on Government business and we were trying to tell him how to operate. The point was we did not want to have an agent for military business who was persona non grata with the Minister of War or the people with whom he was dealing.

Senator Barbour. You do not think then that the authority making the purchase got any graft?

Mr. Monaghan. Pardon me?

Senator Barbour. You do not think then that the authority who had the final say as far as the purchasing is concerned got any graft?

Mr. Monaghan. No, sir; I do not.

The Chairman. You had found in other proceedings that is was to your advantage to have someone who could stand between you and the minister of war, or whoever was buying the supplies, didn't you?

Mr. Monaghan. The thought is there that we do not have enough business to econmically have our own salaried representatives in every market watching developments as they occur and the possibility of obtaining business, and we wanted someone who was established in that market operating on a commission basis and who could watch the situation and get the business for us, if possible.

The Chairman. But you were finding it "advisable to diplomatically ask the Minister of War or the person who would have the final say in placing the order whom he would like to have us work with as our agent."

Mr. Monaghan. Correct.

The Chairman. So you were leaving it to the Minister of War or to the agent of the Government who was buying the supplies to say whom your agent should be.

Mr. Monaghan. Oh, no; not that.

The Chairman. Then what does that mean?

Mr. MONAGHAN. It means that we wanted a man who could deal with the Minister of War and who the Minister of War had confidence in.

The CHAIRMAN. Yes; but you are not even going to suggest who that agent might be. You are going to leave it to the Minister of War.

Mr. MONAGHAN. At that time we did not know the available agents on military business in Bogota, Colombia.

The CHAIRMAN. And the Minister of War did, is that the idea?

Mr. MONAGHAN. He would know the people through whom he had been purchasing material representing other companies. We did not want him to choose some man who was one of the outs instead of one of the ins.

The CHAIRMAN. In your letter to Restrepo you go on and say:

> In other words, who is the intermediary to see and pay commission for the business? Such commission as we mentioned before would have to be added to the prices we have given you.

Mr. MONAGHAN. It has gotten to be the general practice on any military business to establish the price that the manufacturer has to get and then allow the commission agent to add to that his commission, so as to stop the squabbling that would go on of stating a definite price that would include, say, some particular rate of commission.

The CHAIRMAN. That is hardly the issue that was involved here, though. Here you are trying to ascertain or have ascertained who is the intermediary to have and pay a commission for the business, an intermediary who is going to be suggested or approved by the Minister of War. Now, does it mean just this: That in some instances you found a minister of war ready to do business, if and when he could have a cut in the commission that accrued to that sale, and you are suggesting here to Restrepo that he should find, diplomatically, who it was who would stand properly with the Minister of War and just what commission should be paid for the business, isn't that true?

Mr. MONAGHAN. No, sir; it does not read that way.

The CHAIRMAN. Well, now, tell us what in the world this language means, then? I am going to read the entire paragraph:

> You will probably desire to bring every influence you can to bear to obtain this business for us, and as a suggestion we should like to mention that in some instances we have found it advisable to diplomatically ask the Minister of War or the person who will have the final say in placing the order, who he would like to have us work with as our agent. In other words, who is the intermediary to see and pay commission for the business. Such commission as we mentioned before would have to be added to the prices we have given you.

What does that mean if it does not mean just exactly what it says?

Mr. MONAGHAN. Let me explain to you what happened when I went down to Colombia myself. Restrepo got this military order for us, but we were not quite satisfied with him continuing as a military agent for us. In fact, his contract originally provided for him to act on commercial business and not on military. In this transaction, the way it developed, we did recognize him as the agent in the transaction.

When I got to Bogota and talked with the Minister of War on various things, I found him one of the highest type men you could meet anywhere. I found that Restrepo, for example, was not with that minister in power the right man to, in my opinion, transact any further business for us. I then obtained another agent, Samper, who socially was better connected to be able to talk properly with the Minister of War there than Restrepo was; and in saying that I want to make very plain there was no thought, in getting Samper, that there was any payment beyond Samper to the Minister of War. When I made those arrangements with Samper I stated to him the base price that we would expect for our cartridges and left it to him to add any commission, if he could, to that, and had in mind, of course, a reasonable commission, and it has always been such on some small business we have obtained.

The CHAIRMAN. Would Restrepo consent to any plan that might deprive him of his commission?

Mr. MONAGHAN. His contract with us was on commercial ammunition and not on military.

The CHAIRMAN. Did he never sell any military ammunition?

Mr. MONAGHAN. After that he did not.

METHODS OF DOING BUSINESS—ARGENTINA

Senator BARBOUR. The next exhibit is a letter from the Remington agents in Buenos Aires, Palmer & Co., dated August 22, 1933, which I will ask to have marked with the appropriate number.

(The letter referred to was marked " Exhibit No. 983 " and is included in the appendix on p. 2627.)

Senator BARBOUR. I would like to begin reading at the bottom of page 1.

> Rifle model 33 was formerly priced at $3.30 each. Mr. Werns would like to get this price on order 1193. If, however, this is impossible it is understood that you will bill at $3.80, which is the price according to list no. 14, that is to say, these rifles should be billed, at all events, at the prices prevailing before you sent your cable of the 19th, and this applies to the model 34 also.

Now, this is the interesting part [continues reading]:

> With reference to the packing of the three model 34's in each shipment, please put them in boxes such as are used for the model 33, so that the customhouse inspector will not notice any difference at all in the boxes when the cases are opened. Furthermore, please put the boxes which contain the model 34's right in the center of the case, that is the center from side to side and also the center from top to bottom. If these instructions are all carefully followed it will be very bad luck indeed if the customhouse inspector discovers that there are some repeating rifles in this shipment. Mr. Werns is not only anxious to save the additional duties on repeating rifles, but even more he wishes to avoid the delays incident to the entry of repeating caliber 22 rifles. Strictly speaking, repeating rifles of any caliber should not come into the country at all.

Then, the last paragraph [reading]:

> In one of the paragraphs above we have been rather explicit about the packing of the rifles for Mr. Werns and we have done so because of what happened in connection with a recent shipment for Gonzales & Russell. In our letter of June 6 we asked you to pack the caliber 44's in the center of the cases, and your letter of June 23 indicated that you understood just what was wanted. But apparently the man who actually did the packing did not understand it at all, because in each case or cases (we do not know at the moment how many there were) the small calibers have been put around the outside of the case from top to bottom and the 44's have been put in the center of the case also from top to bottom. The result is that as soon as the top of the case is lifted,

one sees immediately the caliber 44's, which is, of course, just what we wanted to avoid. The customhouse inspector immediately discovered that the case did not contain only small calibers and the large calibers have been seized.

That is a letter, as I have said, from your agent in Buenos Aires to the Remington Arms Co. in Bridgeport, Conn. Now, can you explain why any such action as that is necessary?

Mr. MONAGHAN. They are not necessary and they are contrary to our policy. That was not handled by me. It was one of those routine things that came in in the course of business. Those 33 and 34 rifles are both .22-caliber boys' rifles. The 33 rifle is a single-shot .22-caliber rifle. The 34 is a repeating rifle of the same caliber.

Senator BARBOUR. Is that bolt action or a pump gun?

Mr. MONAGHAN. Both bolt action. They are the same in every respect, except the 33 is a single shot and the 34 is a repeating type. The invoices on that transaction were made properly, as 34 repeating rifles and not 33 single shot rifles. It is unfortunate that we did follow the instructions of the agent in packing the 34 rifles in the 33 boxes. It is contrary to our policy, as I told you before, and I can let you have photostatic copies of the invoices, showing that they were billed correctly as 34 repeating rifles. In my experience with anything going through a customs, the invoice is the governing document rather than the method of packing.

I am not trying in any way to excuse this. It is wrong. We do not do it and we have not been doing it. It is one of those things that went through in the ordinary course of business without being discovered.

Senator BARBOUR. That is the only instance you know of or Mr. Davis knows of.

Mr. DAVIS. Senator, this occurred about a month after I went with Remington. It is a slip and I do not condone any such action.

Mr. WOHLFORTH. I wonder who did? If you did not know about it, Mr. Monaghan, who did know about it?

Mr. MONAGHAN. The letter was passed along to the members of the department. I don't know whether I saw it in passing or whether it was just passed along. Without any instructions of what to do with it or anything else, this clerk took it and as it was received by him without any advice at all, he thought it was all right to do this.

Senator BARBOUR. You do not know whether he got any benefit in doing this?

Mr. MONAGHAN. I don't know.

Mr. WOHLFORTH. You make the model 33 and 34 in larger caliber?

Mr. MONAGHAN. No, sir; we do not. The .22 caliber rifle is the only caliber rifle that is made up in the 33 and 34 models.

Mr. WOHLFORTH. What about the 44?

Mr. MONAGHAN. The .44 caliber is not made by us in any rifle at the present time.

METHODS OF DOING BUSINESS—BRAZIL

Senator BARBOUR. Now the next letter, dated October 21, 1929, is from Mr. Barata, Remington agent in Brazil, which I offer for appropriate marking.

(The document referred to was marked "Exhibit No. 984" and is included in the appendix on p. 2629.)

Senator BARBOUR. It appears that a similar situation existed in that country to the one in Mexico. The letter speaks of a Christmas list and a monthly payment to a War Department employee.

Mr. Chairman, the names are so difficult for me to recite, I will just simply say that the letter states:

> Last year Mr. Kuhlen distributed Christmas presents amounting to $300 amongst his friends.

Then the names are listed there.

> The amounts spent on each person were as follows—

Mr. MONAGHAN. That is 150 milreis. In our figures it roughly means 5 or 7 cents to the milrei.

Senator BARBOUR. There is a general, a captain, a colonel, a captain, a major, a mister, a consul, a colonel, a captain, and a mister, and they range all the way from 150, 140, 140, 240, 240, 700, 300, 150, 240, to 200 milreis apiece.

Then the letter goes on to say, Mr. Chairman and gentlemen:

> The only person who has been rendering us valuable services just now has been Mr. Araujo, of Rio. He has been giving me prompt information about the applications from our clients that arrive at the War Department. When I give an application to a client for signature, I immediately advise Araujo. He is on the lookout for it in Rio and puts it before the minister for dispatch as soon as it arrives at the War Department.
>
> If you are going to decide to discontinue the practice of giving Christmas presents to any Government officials from Rio as well as from S. Paulo, I think that you should make an exception in the case of Mr. Araujo. A Christmas gratification to him in addition to what he gets every month will act as an encouragement to his continuing to give us his good services in Rio.

In other words, this party was on your pay roll with a number of other army men—at least they are officers of different rank—who received—what would 700 milreis amount to? About $400?

Mr. DAVIS. $35 or $40.

Senator BARBOUR. $35 or $40?

Mr. MONAGHAN. $35 or $40; yes.

Mr. WOHLFORTH. May I state here, Senator, that we examined Mr. Barata's expense account and learned Mr. Araujo was receiving 330 milreis per month for 14 months, beginning in 1929, and that Mr. Florambel received 2 months' payments. Is that correct?

Mr. MONAGHAN. That is correct.

Senator BARBOUR. And his function was to give you prompt information about the applications from clients that arrived at the War Department?

Mr. MONAGHAN. The function of it?

Senator BARBOUR (reading):

> When I give an application to a client for signature, I immediately advise Araujo. He is on the lookout for it in Rio and puts it before the Minister for dispatch as soon as it arrives at the War Department.

Do you think he passed on any of the money?

Mr. MONAGHAN. To the best of my knowledge, this Mr. Araujo he speaks of is one of the clerks in the War Department. As I said, this was all for commercial business. We have a large commercial business in Brazil. It is subject to the same restrictions as we spoke of in some other countries. Import licenses have to be obtained for rifle cartridges and shotgun cartridges, and all kinds of red tape. After those permits are issued by the War Office, they are transmitted by cable or letter to the consul at point of shipment. We have to go through the routine of applying to the consul in New York continually to learn if the permits have come in for the orders that we have received so as to tie them together.

After we learn of the permits being in, we have to write a letter to the consul outlining the shipments we are going to make against the license, present it to the steamship company, before they will issue a shipping permit.

This man in the War Office was essential to us in getting the permits properly transmitted to the consul in New York and properly itemized. Those items of cartridges are somewhat complicated in their description, many different items of them, and we felt it was worth our while really to pay this tip to the man in the War Department to see that it was properly followed.

Senator BARBOUR. Unless there are some further questions, that is all on that matter.

The CHAIRMAN. Have you discontinued the practice of making Christmas gifts to these people?

Mr. MONAGHAN. I believe we have discontinued the Christmas gifts. The only man we have been making any payments to, I believe Mr. Wohlforth will verify—having checked into it and ascertained—was Mr. Araujo.

Mr. WOHLFORTH. There is one other man, monthly payments for 2 months, Florambel.

Mr. MONAGHAN. I do not know just who he is, but I imagine in the same division of the War Office.

The CHAIRMAN. The general practice of playing Santa Claus has been discontinued?

Mr. MONAGHAN. There have been very few cases that I know of. This is one of them.

Senator BARBOUR. Mr. Chairman, I am very glad to go on. I have got quite a few left, and I will do it as rapidly as I can.

(At this point there ensued an informal discussion off the record after which the proceedings were resumed as follows:)

Senator BARBOUR. I will go along as rapidly as I can, because I do not want to hold anybody, witnesses or otherwise.

Next is a letter dated January 31, 1930. from Rugge to Barata, which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 985" and is included in the appendix on p. 2630.)

Senator BARBOUR. I will read the second paragraph of that letter:

> Your letter dated January 7 confirms the cablegram you sent covering your visit to the Rio Embassy in conjunction with the embargo and detained shipments. It is certainly good to note that there continues to be prospects of the Minister of War allowing the shipments held up to pass into the hands of the consignees and we hope that ere this letter reaches you something has been done in this regard.

Those prospects with the Minister of War must have been fairly good, it seems to me, if you have a man in the Brazilian department, as you say, giving tips to watch things for you.

Mr. MONAGHAN. No, sir; I do not believe from what I know, that that man would be able to do anything for us in watching a situation as mentioned here. This is after the permits have been issued and shipments have been made, some trouble may arise down there, local or temporary, and they immediately embargo everything, even the items which are in transit, and hold them in the customs house at the port of entry. Then it is a question of the Minister of War lifting that embargo, and I am quite sure that this clerk would not be of any assistance to us that way.

Senator BARBOUR. Do you have anybody who would be of assistance to you?

Mr. MONAGHAN. No, sir.

Senator BARBOUR. You have no connections in that respect?

Mr. MONAGHAN. No, sir.

Senator BARBOUR. Sometime in June 1930, Mr. Barata tried to do some business with the Brazilian Government and considered selecting an intermediary. He wrote you on June 23, 1930, a letter, which I ask be appropriately numbered.

(The letter referred to was marked "Exhibit No. 986" and is included in the appendix on p. 2630.)

Senator BARBOUR. I will read from the bottom of the first page of that exhibit:

> I preferred, therefore, some firm that has not only been selling to the Government but that also has enough pull and power to obtain the Government's preference to a proposition it offers irrespective of how attractive other propositions made by different concerns may look to the Government. I found this firm, one of the partners of which is Dr. Firmino de Mello who is a son-in-law of President Washington Luiz. There are two other partners who are very well known in Government circles. The name of one of them is Dr. Max Leitao with whom I instituted friendship and dined together a couple of times.

Now it was about this time, or shortly thereafter, that the Brazilian revolution of 1930 broke out, and one of the issues that brought about that uprising was the wholesale graft in the regime in power at the time.

On page 2 of this same letter I would like to read a passage which reads in part as follows:

> He told me furthermore and confidentially that the business for the European factories was obtained through intervention by their respective ambassadors. That the Italian Ambassador upon knowing what the price quoted by Nobel was went personally to the President of the Republic and obtained his consent to cutting down the share given to the British factory and giving a part of the order to the Italian factory. He also confirmed that the American factory's bid was turned down.

Can you tell us, any of you gentlemen—Mr. Monaghan particularly, or Mr. Beebe—if ambassadors act in this way as salesmen for munitions.

Mr. BEEBE. We have no positive information on the subject, but our agents at times have intimated that their governments assisted them in making sales. Just in what way, I do not know.

Senator BARBOUR. Do you know anything about it, Mr. Monaghan?

Mr. MONAGHAN. To the same effect as Mr. Beebe has just said. That is all.

Senator BARBOUR. On page 3 of this letter your agent Barata seems to think that Souza Sampaio & Cia., the firm which was selected to act as intermediary in his proposed business, is even more influential than ambassadors, because in the third paragraph on the third page he says:

> With the connections I have made I can assure you that no Government business shall be given in the future to any of our European competitors without our being given a break. I dare say that a firm as influential with the Government as Souze Sampaio & Cia., Ltda., can shut out any competitors having even Ambassadors as intermediaries.

It was a pretty good connection, in other words, he was suggesting?

Mr. MONAGHAN. I would say he was bragging, in any event, because he has never been successful in getting any military business for us in Brazil.

Senator BARBOUR. He never got any business for you, Mr. Monaghan, and he never appointed any agent?

Mr. MONAGHAN. Not at that time. It was only recently we got an agent to act on military business. By the way, I want to modify that a bit by saying in 1933, I believe it was, we did have a sale to the Federal Government at Rio, through an agent we appointed on .50 caliber cartridges at that time, and it was not any of these firms he mentioned.

Senator BARBOUR. With this company's position of force or power with the Government, why do you suppose that was the case? Do you suppose there was any graft there between them and the Government in turn?

Mr. MONAGHAN. I do not know.

Senator BARBOUR. I am not trying to say that you are a party to that, but I am trying honestly to find out whether there are linkups which are detrimental and harmful, entirely aside from the problem which confronts anybody who has to sell munitions and I am convinced that there is a lot of graft down there, from the study which I have made since I have been on the committee. It is pretty evident. I think everybody feels that is really so. It is not that I am blaming the American manufacturer alone for that situation. I think he has got a situation he has got to face or keep out of the market, but we want to try and have the whole picture in the end here, gentlemen. That is my point of view on it, and anything you can do to help us on it, is just what we are after.

Now I would like to read from a letter of Mr. Monoghan to Mr. Barata, under date of August 8, 1930, which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 987" and is included in the appendix on p. 2632.)

Senator BARBOUR. That reads in part:

> We absolutely agree with you that in government business, the prime essential is to have the right connection; otherwise price, quality, or other considerations are of no avail.
>
> Furthermore, it is necessary to nurse these contracts from time to time; but the extent of the time and money to be employed has to be gaged by the potential business that might ensue. Before long you will no doubt know more on this score and in particular the prices we would have to quote in order to obtain the business. Then we can tell if we can meet competition.

Now you say yourself to your man in Brazil that price, quality, and other considerations are of no avail, and that it is essential to have the right connection. Now is that the proposition? Do you mean to say, if you can get the right individual, that he, without any gratuities, or anything of the kind, is the fellow who can get the business?

Mr. **Monaghan.** Oh, no. First off, in business dealings I think the most important factor is that of confidence in the man with whom you are dealing.

Senator **Barbour.** That is true.

Mr. **Monaghan.** And it follows from that that he won't have any chance at all, they won't listen to him as to price, quality or any of those things, unless he is a man in whom you know you can have confidence for fulfillment of anything he enters into.

The second part of that is again reminding him to keep away from these rainbows. I have had a number of occasions with Barata chasing rainbows down there, and I wanted to keep him in the commercial business, which is the big part of our business, and wanted him to put his time on that instead of playing all around with these things.

Senator **Barbour.** Mr. Chairman, we will go to the next exhibit, in which you, Mr. Monaghan—I think it is; the name is cut off at the bottom, but I am quite sure it is—give a little sales talk. Of course, at that time you did not know that the E. I. du Pont de Nemours Co. would interest themselves in you. I offer that letter for appropriate number.

(The letter referred to was marked " Exhibit No. 988 " and is included in the appendix on page 2633.)

Senator **Barbour.** However, I will read some of that letter [reading]:

> We have to hurry in order to catch today's mail. The latest news we have this morning is that the Brazilian Government resigned and the new people are in power. What the developments are within the next few days remains to be seen and no doubt we will have your cable advices as to prospects for business.
>
> Of course, the change in government is no absolute reason to our way of thinking that there will be no further inquiries for Government supplies, but rather we are inclined to think the new Government will consider it necessary to replenish their stocks of cartridges and perhaps even build up the stocks beyond the point at which they were before the trouble. Of course, we are wondering what your status will be with the new Government, that is to say, if you will be accepted as a friend in view of your negotiations for attempting to sell those formerly in power and we await with interest your advices on this point.

Then, to skip to page 3, the letter continues [reading]:

> In all these negotiations for Government business, you as well as ourselves have been working up toward the top instead of the way some big companies do—from the top down. In other words, you find what you believe is a good intermediary and then try to reach the Minister of War or whoever else has authority in placing orders. The du Pont Co. makes it a practice of finding out who is the right man to work with, the Minister of War, the head of the Ordnance Department, or whoever else it may be, and then asks that authoritative person who it is believed would be a good agent to appoint for negotiations. But again we want to say no details are to be arranged by you with an intermediary without our authority after we have received complete data from you.

Now, that you and the du Pont Co. are one, you can sort of work both ends against the middle, because you begin at the bottom to start working up, and you report that they begin at the top and work down.

Mr. **Monaghan.** If you will read the whole letter and tie it in with the letter before of Barata and the numerous people he is talking about, who never reach any conclusion, " that man is good to work with ", " this man is good to work with ", " the other knows how to go about the business; he is acceptable to the Government." I am trying to tell him how to stop this playing around so much and get a person who was acceptable to the Government.

Senator **Barbour**. The interesting thing, as I read it—there is a lot in the letter here which I certainly am not avoiding because I feel it would help you if it were read—that certainly is not so.

Mr. **Monaghan**. This letter is giving him a calling down for the way he conducted his business, or attempted to conduct it. and got nowhere.

Senator **Barbour**. Do you want all of it read?

The **Chairman**. It will all be in the record.

Mr. **Monaghan**. That is enough for me.

Senator **Barbour**. I am not trying to avoid it, but it is a long letter and a lot of people want to get home. It brings out the point. however, that you made, very clearly: This man that you wrote to is finding a man at the bottom and working up from him, and then you go on and tell him what you feel is the du Pont procedure, which is the reverse.

Mr. **Monaghan**. If you get the right man that way, he can be of much assistance to the War Department or Ordnance Department in the way of ballistics, which many of these nations do not have.

Senator **Barbour**. The next letter is dated November 30, 1932, which I feel is of considerable interest to the committee, and I would like to read the first two paragraphs. This is a private and confidential letter from you, Mr. Monaghan, to your man, Barata, that we have been talking about.

I will offer it for appropriate number.

(The letter referred to was marked " Exhibit No. 989 " and is included in the appendix on p. 2635.)

Senator **Barbour**. I read:

> Since we received your letter saying the Government was going to close up the local ammunition factory in Sao Paulo, we have given a lot of thought to that situation, for we recognize it is a mighty important one to our interests. What we are going to say to you in this letter we want treated strictly confidential.
>
> In the first place we want to tell you that nearly all the companies in this country and Europe who would be benefited by having the local factory out of the way, agreed some time ago not to enter bids with Mr. Matarazzo for his company, for we all felt by standing off the factory would eventually fail. This is the reason we never turned a sympathetic ear to any of the overtures made through you for us to become interested in the purchase of the company.

Now, when did the American munitions companies agree that this Brazilian munitions factory would fail? Do you know when the agreement was arrived at?

Mr. **Monaghan**. I never knew of any agreement directly with us on that proposition. I heard in Europe in 1929 that Winchester had been approached on the purchase of that factory. I never questioned Winchester at any time after that whether they were or not. But I understood they were not going to do anything about it. In my opinion, at that time, at the time of that letter, all the ammunition companies were in such financial condition I did not believe they would be interested in paying any big money to purchase that factory there.

Senator **Barbour**. Then you were not really quite right in telling him, or what he would infer, as I would, in reading the letter, that you knew that all the manufacturers were probably standing off so that there would not be any bid and the thing would flop?

Mr. MONAGHAN. That is not the true picture; no, sir.

Senator BARBOUR. I will read paragraph 4, if I may [reading]:

> It might be that some incentive could be given the Government official who was responsible for the scrapping of the plant to see that he went through with these plans. With all the ammunition factories practically broke nowadays, not much could be done in the way of paying worthwhile money, but we are thinking the result possibly could be accomplished if handled diplomatically, at a very small cost.

Now, is this a suggestion that your agent, or anyone, try to prohibit anybody or try to corrupt anybody?

Mr. MONAGHAN. No, sir; that letter was written by me without anyone in the company knowing that I wrote it.

Later on—and I can give you the copies if you desire—I asked Barata if he had received it, and he said he never received the letter. He said, "Send me a copy of it."

I said, "No, too much time has elapsed now. Just forget it."

So that this letter, so far as I know, never reached Barata.

Mr. WOHLFORTH. Have you that letter with you?

Mr. MONAGHAN. Yes, sir. Do you care to have it?

Mr. WOHLFORTH. I would like to see it, if you have it.

Senator BARBOUR. I will read it on to the finish, Mr. Chairman [reading]:

> What we want you to do is to watch this situation from every angle and add any propaganda you can with the proper Government officials to the end that the plant be scrapped.
>
> This is a rather sketchy plan we are presenting to you and you want to be careful you do not make any false moves. As a matter of fact you should do nothing where you would appear as a principal. First and foremost we want every bit of information from you as to what transpires and is intended in connection with this local plant. Your suggestions as to what could be done in furthering our interests in connection with this factory will be anxiously awaited by return air mail.

Mr. MONAGHAN. I had a letter from Barata prior to writing this letter, saying that it was the thought—in fact, a good deal more than the thought—of the central government at Rio de Janeiro to close this Matarazzo ammunition plant near Sao Paulo because in the revolution, prior to this letter, the Matarazzo plant had supplied ammunition to the rebels at Sao Paulo. They made both types, both the military and the commercial. We felt that if they moved the military equipment to the Federal ammunition plant at Rio de Janeiro they would not have any interest in the equipment for the commercial ammunition.

Senator BARBOUR. I see.

Now, Mr. Chairman, I do not want to add anything in conclusion of my own, because I do not know that it is necessary or appropriate, but it seems to me that this whole story here which has to do with many instances which seem alike to me, although they may be described differently, are simply cases of where the American manufacturer is helpless in the situation. He has got to indulge in these practices or he does not get any business.

And, by the same token, the purchaser is interested first in it because of what he selfishly makes out of it. By the same token, again, it seems to me that the greater his purchases can be, the more graft he makes, when we come back to the stimulation of munitions that has been mentioned time after time, and the part that the receiving of graft plays in that.

I look upon it as being a problem in the situation more than what he is selling.

Mr. MONAGHAN. May I say, Senator, that I have traveled in some Latin American countries, some little time in China, and many other countries, and never in any of my business experience have I paid one cent of graft.

The CHAIRMAN. Why do you countenance it on the part of anyone representing you?

Mr. MONAGHAN. We do not.

The CHAIRMAN. You have.

Mr. MONAGHAN. Well—I do not know of any case.

The CHAIRMAN. How?

Mr. MONAGHAN. I do not know of any case.

The CHAIRMAN. You have had reports made to you of what it was necessary to do. You have reason to know that those things were being done by your agents, have you not?

Mr. MONAGHAN. No, sir.

The CHAIRMAN. What prompted you to make the contribution to the campaign fund?

Mr. MONAGHAN. I explained to you, and the record shows, it was more of a personal matter of friendship with Dr. Morales.

The CHAIRMAN. In a letter of October 4, 1930, to Mr. Barata in Brazil, upon what authority did you undertake to declare as to what the policy of the du Ponts was in their sales of military supplies, Mr. Monaghan?

Mr. MONAGHAN. Of working from the top, so as to find out the man who was persona grata to the authority, you mean?

The CHAIRMAN. Yes. Your exact remark was this:

> The du Pont Co. makes it a practice of finding out who is the right man to work with, the Minister of War, the head of the Ordnance Department, or whoever else it may be, and then asks that authoritative person who it believes would be a good agent to appoint for negotiations.

Mr. MONAGHAN. I had known for a number of years various men in the du Pont organization, and naturally talked things over with them of mutual interest. I do not recall who in particular would be the author of such an idea.

Senator BARBOUR. I might just mention, Mr. Chairman, if I may, that these exhibits that I presented have not all been numbered, but should be before another set comes into existence.

The CHAIRMAN. The reporter will take care of that.

The committee will recess until 10 o'clock tomorrow morning.

(Thereupon, at 5 p.m., the hearing adjourned until tomorrow, Tuesday, Dec. 11, 1934, at 10 a.m.)

This concludes that part of the testimony known as "Part XI, Chemical Preparations Following the War and Interchange of Military Information." At this point the committee took up the question of "Relationship of the Munitions Makers to the Government and International Connections in the Chemical Industry." (See Part XII.)

APPENDIX

Exhibit No. 909

[File: Publicity bureau. C. K. Weston, European correspondence]

London, *December 10, 1920.*

Mr. Charles A. Meade,
Vice President, E. I. du Pont de Nemours & Co.,
Wilmington, Del., U. S. A.

Dear Mr. Meade: My mission seems to be going fairly well; I have met a number of our American newspaper correspondents, and have, I think, succeeded in selling them our idea. One cannot tell of course, until the results begin to appear in American newspapers.

I am sending you clippings giving details of the debate in the House of Commons, along with other matter which I think is interesting.

It appears that the vote does not end the matter for the bill goes automatically to a committee which, as far as I can understand, will discuss such changes as it thinks should be submitted on final passage. My understanding is that there will be no changes, and that the action on second reading is, in the natural course of parliamentary procedure, likely to stand throughout. This committee meets again on Monday, and I suppose will then finish up its work.

I believe that the great strong point to be brought out by our friends in the United States Senate is, that with Japan, France, and England all protecting their dye industries, the United States is left as the only hope for the Germans. They will, without doubt, concentrate over there and give us a particularly hard fight.

You will notice in the report of the debate and in the other clippings that the British bill had exactly the same kind of opposition as that with which we had to contend at Washington. The minority of the consumers raised the same cry about poor quality and insufficient quantity. Their statements of so-called facts were as inaccurate as those made by the opposition to us.

I shall remain here next week to see this bill through and to continue my efforts to stoke up the interest of those whom I came to see.

The correspondents in Paris report to the offices here so it is apparent that if the men in London get the right angle it will be wonderfully helpful.

In Paris I shall devote my energy very largely to bringing the correspondents in contact more closely with the American sources of news, at the same time trying to give them the proper angle so that they will appreciate the importance of the news.

It is difficult to make a definite report on what I think I have accomplished here, but my feeling is that the work is well worth while.

If things continue to move along well I shall be able to leave here early in January. I hope to return on the *Imperator* which I think sails January 8.

Will you advise Byrne of the contents of this letter, and pass along to him some of the clippings, so that he too may keep informed and be ready to take such action as suggests itself from your end.

Very truly yours. (S) C. K. Weston.

W/DGO.

Exhibit No. 910

[File: Publicity bureau. C. K. Weston, European correspondence]

[Draft]

Wilmington, Del., *Dec. 3, 1920.*

*Weston.

Understand Signor Tittoni has raised League of Nations interest in national monopolies and their danger to world peace (Stop) Urge attention of

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* Pencil markings.

League be drawn to danger of resumption of German organic chemical and dye monopoly (Stop) This is by far the most menacing and deserves immediate attention of League who might welcome American support on a chemical disarmament measure (Stop) You cannot destroy organic chemical factories having peace functions but must ensure world redistribution *of organic chemical producing capacity by support of national protective legislation (Stop) This is a critical measure on which all disarmament schemes must stand or fall (Stop) Disarmament is a farce while Germany retains organic chemical monopolies (Stop) You can get full details in disarmament chapter or Major Lefebure's book now held by Whetmore, British Dyestuffs Corporation, Imperial House, Kingsway. He *has been cabled to confer (Stop) Suggest consult Lord Moulton on best means to obtain early consideration of this question by League (Stop)

Exhibit No. 911

[Moulton file]

MEMORANDUM BY MAJOR LEFEBURE, DATED LONDON, FEBRUARY 1, 1921

The chief points which I think we should both bear in mind in connection with dye legislation and disarmament questions are the following:

I. Dye legislation promotes the redistribution of organic chemical capacity throughout the world. This move from Germany monopoly toward world equilibrium will not, as some of your press stated, perpetuate chemical warfare. It will remove the biggest incentive for its use; that is, the monopoly of production.

You will find the whole case stated in my memorandum which has been published in the Chemical and Metallurgical Engineering Journal for January 5th, 1921. I left this statement as a straight uncorrected dictation with General Fries and Mr. Poucher, and apparently they have thought fit to give it publicity.

II. Everything possible should be done in America to include in the treaty or in official disarmament discussions the conditions that the relevant clauses of the Treasy of Versailles shall be applied to that huge arsenal, the I. G.

These clauses are as follows:

(*i*) Article 168.

This demands limitation of munitions and war material production to factories or works approved by the Allied and Associated powers.

Numbers of plants in the German dye combine were either converted, adapted, or actually built for the production of poison gases or nitric acid for explosives. Article 168 gives us the right to restrict the number of these plants. As the use of poison gases in Germany is forbidden by the treaty, Germany should not be allowed to retain any of those plants which were used for poison-gas production. There can be no other possible way of reading article 168 as far as the plants actually built for poison gases and war nitric acid are concerned. Article 168 refers to any war material whatever, an unqualified statement.

(ii) Article 169.

This requires that any special plant intended for the manufacture of war material, except such as may be recognized as necessary for equipping the authorized strength of the German Army, must be surrendered to be destroyed or rendered useless.

In addition to certain specific poison gas plants a large proportion of the Haber process capacity should logically, be dealt with under this article of the treaty.

What are the numerical facts of the case?

About four thousand tons per month of poison gas material were produced during 1918 by the German dye combine in converted or expanded dye plants. This enormous output represented about one-third of the pre-war German dye capacity, and covers a number of new plants built specifically for poison gas. To leave them untouched while article 169 exists is to admit that these plants represent authorized equipment for the German Army! This is the anomalous but logical conclusion of the present situation.

With regard to the Haber process, Germany has capacity of at least two hundred thousand tons of nitrogen in excess of all her pre-war needs. She either requires this for:—

(*a*) World monopoly.

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* Pencil markings.

If she achieves this we are leaving her with a criminal advantage in eventual explosives production, seeing that the dye and nitrating plants of the I. G. are all literally within a stone's throw of Oppau and Mersebourg. Germany has a complete and mighty arsenal left untouched by the Allies.

(*b*) *Actually contemplated military use.*

The Government support afforded to the Haber developments is consistent with the military use of the plants. Whatever its alternative peace time uses, this enormous excess Haber capacity is an exceedingly weighty military factor far in excess in quantity to the standard laid down in Article 169.

(iii) Article 171.

This forbids the manufacture of asphyxiating gases and analogous materials in Germany.

The point arises as to the value of this denial to Germany of the right to manufacture such substances. Obviously, *in case of war*, the country possessing these factories and willing to use them for such purposes, could do so.

But let us take the case of Germany. It may well be there, however, that the possibility of rapidly converting, unhampered forty thousand tons per annum of producing capacity (a low estimate of the German poison gas production by the I.G.) for the use of vital war chemicals would be an important factor in her decision to make war.

It may be that by taking certain measures in peace regarding these potential arsenals, production of poison gases in war would be prevented because war itself would be prevented, and the need to produce would not arise. This is not in the least an unreasonable conclusion. Chemical warfare was rapidly developing to meet the large number of technical and military situations which had formerly been met by the use of explosives. The League and treaty propose to limit the possibility to use explosives by actually destroying and limiting explosives plants in Germany. It is therefore a fair conclusion that the unfettered use of this enormous capacity for filling shell and other devices with chemicals, alternative to explosives, the latter not being available, would be a serious factor in a decision of war. This advantage would be comparable with the possession of a large, rapidly mobilizable force or a large number of guns, or a fleet.

(The I. G. itself produced 15.000 tons of explosives per month and can produce much more, however.)

It is therefore important to consider what steps could be taken in peace to supervise these German plants in such a way that any undiscovered attempt to produce chemical munitions would be impossible; in other words, to neutralize this inducement for war. In our opinion article 171 is almost valueless unless some control and inspection of these plants is arranged to ensure its execution. However unpalatable to Germany, such action is merely a logical conclusion of their abuse of the possession of this organic chemical world monopoly.

(iv) Article 172.

This obliges Germany to disclose the nature and mode of manufacture of all explosives, toxic substances, or other like chemical preparations used by them in war or prepared by them for the purpose of being so used.

It may not be obvious, but it is nevertheless true that the full disclosure demanded above would function as a measure of prohibition against the use of poison gas by Germany in any future war. A point which cannot be too strongly emphasized is the following: War chemicals lose a large chance of decisive use by an enemy if one is aware of their nature and mode of preparation. Knowledge of these facts at once enables us to develop protective measures. This is the supreme lesson of the chemical move and counter move of the last war.

Has Germany disclosed these secrets? It does not appear so. An analysis of her production of poison gas and use against us on the front reveals the significant fact that all the important discoveries and research decisions were made in time for production to commence in 1915, 1916, and in a few cases 1917. This implies that a vast amount of research whose results never appeared on the front must have occurred subsequent to this, and these discoveries and information are infinitely more significant if left unexposed.

We are not yet even in possession of full information on the manufacture of those substances whose plants the "Hartley Mission" identified in 1919. What detailed knowledge have we, for example, on the German production of carbon monoxide for phosgene, yet allied manufacturers stumbled at this and similar problems. Phosgene production was removed to Mersebourg, and the plant there must have embodied many improvements which we should know.

We must demand the full execution of this article of the treaty.

EXHIBIT NO. 912

[File, publicity bureau, Thomas R. Shipp—Correspondence dyes. No date from 1921 file]

MEMORANDUM

Our present and proposed activities.

For Mr. Atherton.
From Mr. Braddock.

I. Written publicity:

In conducting this we have recourse to two media:

- A. Thomas R. Shipp & Company handles news material and illustrated mats from Washington; specializes on the country press and newspapers in smaller cities.
- B. Bronson Batchelor, Inc., works along the following lines:
  1. Special articles in New York daily and Sunday newspapers.
  2. Editorials to 1,025 newspapers, one in each city.
  3. Illustrated mats to selected newspapers, varying from 400 to 1,025, according to circumstances.
  4. Special articles supplied through syndicates—illustration: Herty full-page articles to 40 leading Sunday newspapers.
  5. Member of his staff supplying special articles and telegraphic items re Finance Committee hearings, disarmament conference, administration backing, etc.
  6. Supplies newspaper editors with statistical facts bearing on the relationship of the organic chemical industry to the public.
  7. Publishes Current Opinion, a 4-page newspaper comprised entirely of editorials upon the necessity of establishing a selective embargo for the protection of the American dyes industry.
  8. Conducts the Institute of American Business, which mails Current Opinion and other material to Senators, Congressmen, and selected editors.
  9. By daily conference learns latest situation and gives benefit of his judgment based on intimate knowledge of what we are doing.

II. Speakers' publicity: Letters were sent to chambers of commerce, Rotary clubs, Kiwanis clubs, National and State conventions offering a speaker on this subject. Somewhat over 200 requests for a speaker were received. Using virtually all the time of—

Dr. Charles T. Baylis, described on attached folder.
Hon. Gilbert A. Currie, former Congressman.
Dr. Elwood Hendrick, three times president of the Chemists Club.

Together with frequent engagements for—

Dr. William H. Hale
Dr. J. Merritt Matthews
Prof. H. G. Byers
Prof. H. E. Simmons
Dr. W. Lee Lewis
A. B. Carter
Dr. J. Howard Matthews
Dr. William H. Hunter
Dr. Charles S. Parsons
Dr. Charles E. Coates
C. F. Williamson
F. G. Moses
Prof. H. K. Benson

We pay fee and expenses, varying from $40 to $100 each. Concentrating on Indiana, Ohio, Illinois, Pennsylvania, Iowa, New York, Wisconsin, with scattered engagements throughout the other States. Mr. Glenzing and Mr. Schmitz, together with a stenographer and typist, are devoting entire time and a great deal of overtime to handling this speakers' bureau.

III. Personal interviews:

- A. Virtually all of Mr. Abbott's time is required calling on big men like Mr. Firestone, Mr. Edison, Mr. Schwab, Mr. O'Reilly, Mr. Brisbane, and other leading business men.
- B. Mr. Weddell similarly is making and maintaining numerous contacts, such as the Associated Advertising Clubs, selected firms which sell materials and do business with some of the larger companies in the industry, etc.
- C. Mrs. Emmons is engaged in building up contacts with the women's organizations, particularly in the 7 States enumerated in a preceeding paragraph.

The object of all these contacts is:

1. To educate individuals and organizations concerned with respect to the necessity of the dye embargo.
2. To get them to send resolutions and personal letters to their Senators and Congressmen.
3. To get them to furnish interviews for newspapers, etc., etc.

NOTE.—There are other activities arising daily which cannot be foreseen and therefore cannot be enumerated in this outline. For illustration: This morning Stuart Godwin called on me to say that if we can supply Frederick J. Haskin, of Washington, who is the accredited representative of 130 daily newspapers, some of them the largest in the United States, with 100,000 leaflets on our subject, Mr. Haskin will be glad to advertise the leaflet in his 130 newspapers and to mail these leaflets for us, making no charge either for the advertising, for the mailing, nor for any other expense connected with this. All we have to do is supply the leaflets and he will do the rest.

Again, the Dye & Chemical Section of the War Trade Board has sent an innocent-looking letter to certain dye manufacturers, telling about an application for an importation license by a certain mill. This kind of innocent-looking, dangerous activity must be handled.

In view of the above, you will understand that this memorandum attempts to be only a skeleton outline of some of our more important activities.

(S) HAROLD BRADDOCK.

SEPT. 12, 1921. HAROLD BRADDOCK.

EXHIBIT NO. 913

American Dyes Institute:	
1918	$2,400.00
1919	13,000.00
1920	21,773.49
1921	10,100.00
1922	8,167.70
1923	1,147.21
Total	56,588.40
Synthetic Organic Chemical Manufacturers Association:	
1921	250.00
1922	14,050.00
1923	21,966.67
1924	14,687.00
1925	9,934.50
Total	60,888.17
Manufacturing Chemists Association:	
1918	75.00
1919	384.57
1920	375.00
1921	375.00
1922	78.00
1923	75.00
1924	375.00
1925	75.00
Total	1,812.57
Chemical Foundation:	
1920	9,570.41
1921	16,698.72
1922	46,986.48
1923	64,249.17
1924	33,454.88
1925	81,503.23
Total	252,462.89
American Chemical Society:	
1918	66.00
1919	436.00
1920	500.36
1921	226.78
1922	1,068.80
1923	492.49
1924	1,409.64
1925	330.00
Total	4,530.07
Chemical Alliance Inc.:	
1918	550.00
1919	25.00
Total	575.00
T. R. Shipp Service:	
1922	2,500.00
Total	2,500.00
Whaley-Eaton Service:	
1919	73.00
1920	238.15
1921	238.50
1922	485.46
1923	305.00
1924	391.50
1925	343.00
Total	2,074.61
John McNeeley:	
1921	3,033.00
Total	3,033.00
Benjamin Raleigh:	
1921	100.00
Total	100.00
Sporting Arms & Ammunition Manufacturers Association:	
1926	933.33
1927	5,236.02
1928	5,000.04
1929	3,672.45
1930	5,158.24
1931	3,263.69
1932	2,713.24
1933	1,316.72
1934 to date 11/20	2,298.96
Total	29,592.69

Exhibit No. 914

[File, Publicity Bureau, Lobby Inquiry—Legislation Dyes]

* Irénée du Pont
From P. S. du Pont.

(Address given by Dr. Wm. J. Hale, of the Dow Chemical Company, Midland, Michigan, before the Flint Rotary Club, Friday, December 16, 1921.)

THE WAR AFTER THE WAR

Not until the middle of the nineteenth century do we find any real scientific advances in the field of industry. The Bessemer process for the production of steel inaugurated this period in the inorganic world; simultaneously Perkin's synthesis of a natural dye, mauve, marked the advent of synthetic dyes in the organic world. Discovery after discovery, invention after invention, aided and stimulated the progress of man thereafter. The Anglo-Saxon directed his attention more particularly to the inorganic, whereas the Teuton devoted himself primarily to the organic, though in no sense relinquishing the other. Scientific progress was everywhere apparent, but the Germans were the only scientists to sense the importance of great detail. In this no more favored field can be conceived than organic chemistry, and thus by 1914 upwards of ten thousand synthetic dyes and one thousand synthetic medicinals had fallen to the credit of German endeavor. The Germans alone grasped the message of the future. It was verily the voice of the ages, reverberating through aeons of civilization: "Chemistry is the industry of the terrestrial sphere—the only industry given to man. Inorganic chemistry is but a small part thereof, comprising less than the one one-hundredth part of the organic domain, and the latter is doubling itself every ten years. Organic chemistry dominates every man, woman, and child, every nation." Is it any wonder that the Germans devoted themselves with all vigor to the study of chemistry and especially to organic chemistry? Suffice it to say that in actual scientific attainments Germany far surpassed all the other civilized nations of the day. So far ahead was she that we seemed as mere pygmies in comparison. Though we called the Germans barbarians, it was we who were actually the barbarians in science, though in matters of business and morals " barbaric " is far too mild a term to describe German perversions.

In the fall of 1913 Professor Haber sent word to the German war office that the Oppau plant for synthetic ammonia was in readiness. Germany had nothing more to fear from an English blockade against Chile saltpeter with an independent source of ammonia and consequent nitric acid at home. War soon followed, as you recall, and unforeseen hazards forced the Germans to fall back upon their lines of defense.

On April 22, 1915, chemical warfare was first introduced; the Germans essayed to discharge chlorine into the Canadian trenches. Had the German Army been provided with masks and a plenteous supply of this chlorine, nothing could have stayed their speedy approach to Calais. After numerous gases had been employed by the German Army, they finally threw over " mustard gas " against the English at Ypres on July 12, 1917. A kind fate seemed ever to smile on the Allies throughout the war. The Germans could not prepare more than 5 tons of mustard gas per day. Had they hoarded their supply for later use in limitless quantities what a different story would now be told.

At the peace conference the fates at last smiled upon Germany. The Allies were here beset with many, many learned savants—men learned in all but the science of chemistry, by which and for which the war was really waged. The peace treaty was drawn up entirely from the standpoint of modern mediaevalism, or that period just preceding the advent of chemistry in the world of industry, and the result was appalling. Thus the " Bungle of Versailles " was given to man and passed forthwith into obsolete history. Its four points, from the standpoint of the future, may be characterized as follows:

1. National hatreds engendered by silly apportionments of trivial territory.
2. Germany financially crippled but stirred to industrial activities, such as will soon reinstate her in the position of world leader.
3. Germany deprived of those useless adjuncts of a nation's pride—her battleships—and thus saved from wasting her wealth on monstrosities of the future.

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* Written in ink.

4. As a gift from the gods there was left to Germany all of the implements for future wars, and she was asked to develop them to her best ability.

What a tirade on justice! The "Bungle of Versailles" aims to create in Germany the greatest power for industry and for war on the face of the earth. Oh, that there might have been just a few level-headed business men of science in command at Versailles; men who knew not one damned thing about history or economics, not one blessed thing about the wishes of Hottentot or Hindu!

As matters now stand, what have we accomplished for the betterment of the world? We have wrecked thousands upon thousands of homes and there are some who wonder at the lack of confidence and diligence among us. Chemicals comprised twenty-seven percent of the munition shells used by Germany at the close of the war. The greatest German chemists today have already announced that chemicals will henceforth constitute Germany's mightiest weapon for future combat. We are at the very beginning of the great chemical and electrical age. Can you imagine the leaders of science willing for one single moment to relinquish their prowess to legal advisors or diplomats when the honor and integrity of their respective countries are at stake!

In spite of this, our dreamers will tell you that chemical warfare is to be banned by civilized nations. You never heard a real American chemist intimate any such damned nonsense. He knows it is the future weapon for all wars from now henceforth. The type of man striving to relegate chemical warfare to antiquity is just that type who decried the use of gunpowder in place of spears. When we have the most effective weapon of all time, when we are made to realize that this weapon is the most humane ever introduced into war by man, and when we come to know that the nation most advanced scientifically is the nation who will have the greatest advantage, pray what kind of being is he who will have us revert to savagery, making of war a sort of huge slaughterhouse?

The next war, which will come in its time, will be waged entirely with chemicals and high explosives, usually together. Combatants, as well as noncombatants, will be supplied with suits of armor—a la Jules Verne's "Men from Mars"—the mask in itself will not suffice. The old-time military manoeuvers must give way to chemical discipline. Airships and dirigibles will constitute our flying squadrons for offense and defense and our land armies for future struggles will be officered entirely by trained chemists. Together with the "Aery" and Army, we shall have need of the fast cruisers of our Navy; cruisers with airplane landings, and also submarines, no doubt similarly equipped. The aerial torpedo will have come into its own and be made the carrier of our poison gases. Our battleships are things of the past. The Washington Conference now in session might just as well make the whole leap as only a part. Destroy all battleships. They are of absolutely no use whatsoever either in offense or defense and it will be a godsend to man to be rid of such monstrosities. Their only possible use today is as scarecrows for smaller nations. Give me a spot well protected, such, for example, as the Dardanelles. Give me a couple dozen airships well equipped with high explosives and chemicals. Allow me a hundred or more aerists and I will defy the combined fleets of the world. Not one vessel could ever get close enough to us to do any material damage; we should not attempt to sink a single battleship. Why waste heavy ammunition when it is so simple a task to annihilate the crews!

Let us now turn our attention to Germany. Let us visit the Badische-Anilin und Soda-Fabrik at Ludwigshafen, and there note the manufacture of a single dye. Let us take, for example, indigo, where some 800,000 pounds per month constitute the output of one plant. Alcohol is passed over heated alumina, thus becoming completely dehydrated into ethylene. This gas is then led into chlorine-water (or its equivalent) and the ethylene chlorohydrin thus resulting is concentrated to the desired strength, whereupon it is heated with aniline and the oily residue fused with caustic potash. From this fusion indigo is at once obtained by solution in water and oxidation by air. Were Germany to be drawn into war, this entire plant may be converted into a mustard gas plant in less than an hour's time. In place of the aniline in the indigo process above, a cheap chemical—sodium sulfide (obtained by the reduction of Glauber's salt with coke)—is substituted, and the homogeneous solution thus obtained is concentrated and treated in large tanks with hydrochloric acid. The oil product settling out at the bottom is the well-known mustard gas and may be drawn off at will. Truly this particular plant is a slumbering arsenal and the greatest of its kind today. Had Germany won the war, do you think that she would have permitted the du Pont powder plants or the Springfield arsenal to resume business? Would not any normal child be able to answer this question correctly? And yet our savants of Versailles could not understand!

As with the indigo process, so with many other processes used in dye plants in Germany, each with a hidden terror for her enemies. Those of us who have studied the situation and have felt it our bounden duty to acquaint every true American with the conditions as they stand are constantly meeting with men blind by nature and men so stubborn that reason itself seem to have left them. It is not for the chemical industry alone we plead. Far, far beyond lies our vision! And we pray in all sincerity for the awakening of this country to the importance of chemistry in every industry. From an agricultural country we have graduated into an industrial country. Industries make for advancement of the Nation as Germany has so ofen proclaimed. An agricultural country can never wield an influence in international affairs.

Upon the growth of our industries rests now or never the future greatness of America. Ninety-seven percent of our manufacturing output is consumed in this country. Our agricultural products are, to a large extent, exported, but now with our increased industrial capacity, as a result of war activities, why not turn the excess of cotton, of wheat, and of corn into finished products for our own consumption? It is this great opportunity for chemical endeavor that commands our immediate attention. We must develop chemically if we are to attain that highest enlightenment destined for men. There is no other option. Men must think in terms of chemistry, whether they be engaged in agriculture, mining, or manufacture. This is the greatest lesson of the World War.

Take, for example, the question of fertilizers. Enormous quantities are used in every State of the Union, and yet when we face the actual figures of ammonium sulfate unrecovered from the byproducts in the burning of coking coal in this country, we are amazed. For instance, in Michigan, $4,887,253 was paid in 1919 for commercial fertilizers and during that same year $1,080,300 worth of ammonium sulfate was wasted in the burning of 1,385,000 tons of coking coal. Can we call this efficiency? And yet more appalling still are those figures which represent the amount of benzene, toluene, xylene, and other products obtained from the coal tar itself, likewise wasted in this and all States.

Atmospheric nitrogen is now employed by foreign countries in the manufacture of fertilizers, though in this country we have scarcely passed the experimental stage. The Muscle Shoals plant, erected at an enormous cost by the Government for the preparation of ammonia, is now idle—in fact, it never did function— and if ever our Government is to show its efficient organization, not a moment should pass till that plant is set into operation for the benefit of our lands. Henry Ford deserves highest commendation for his munificient offer to the Government to take over and operate the plant upon a practical basis, holding it in readiness for Government purposes in case of war. No other individual or private organization has made, nor is likely to make, so flattering an offer to the Government as that announced by Henry Ford. We sincerely hope that our authorities will sense the importance of this plant to the betterment of our lands and to the industries of the country in time of peace as well as in time of war.

The dye industry, in particular, claims the interest of every true American. He realizes that here are untold possibilities for a marvelous future. Why should not America lead? Shall we again permit Germany to conquer the markets of the world in this field as in many others? Germany has once more established herself in many countries as the leader in this industry. Witness, for example, Mexico, where the German dyes are now again supplied in limitless quantity. For the establishment of the dye industry, it is absolutely necessary that we be given the strongest possible protection, such, for example, as may obtain from a dye embargo. Such an embargo was asked for as an additional clause to the Fordney tariff bill, but the "class legislation" bogy scared our Congressmen, as they feared a continual line of other class protections. Our Congressmen, however, are for the most part lawyers and cannot see through chemical eyes. It is the bounden duty of all Americans who understand this subject to demonstrate to our Congressmen the great need of building up our chemical industries. The protection of chemistry in this country is clearly demonstrable as something far more important than the building of forts and fleets. "Class legislation" in this instance becomes translatable into "fundamental legislation." Many of you will wonder why we need any legislation beyond that protecting our general industries. Let us pause here to consider the cost of experimentation alone in the chemical, physical, and engineering fields. Witness, for example, the first commercial production of indigo in America. The first pound of synthetic indigo laid on the desk of the President of the Dow Chemical Company in December 1916 cost our company upwards of $450,000. From that year, selling at $1.25 per pound, the process has undergone constant and market improvement until today it is selling under forty cents per pound, favorable indeed with prewar German prices. The manufacture of dyes calls for the highest mechanical skill and plant supervision in the field of organic chemistry and the various stops in these processes make up a complex surpassing that of any other industry.

If you believe in America, and if you believe that we can succeed without protection, then you are the men we need, and we shall ask you at once for several hundred thousand dollars to assist us in our endeavors. Do you think you are likely to contribute when you know that labor in Germany is paid at the rate of seventeen cents per day, whereas we must pay at least thirty cents per hour? Do you think you will contribute when you know that a chance of foreign dumping in this country is always at our door, and that the German importer is using every means he can to undersell American products? I know you will not take the risk. You have a right to a reasonable rate on your investments, and I don't blame you for this lack of confidence in your own Government. Has a German any lack of confidence in his Fatherland? No, indeed, his Fatherland protects him and guarantees to him, through the big cartels that the losses of one company shall be averaged with the gains of another and the profits equally distributed. Germany has the greatest system of protection the world has ever known. When they see that an imported article interferes with their industries, they outlaw it. Thus the importation of rubber into Germany in the last six months has been decried and its further importation seriously handicapped.

We need a protecting tariff, a tariff that is not based on fictitious foreign values, for such a tariff is no tariff at all. We must make up in some way for the difference in cost of production at home and abroad, especially now that foreign cost of production is practically nil. To this end, Congressman Fordney has proposed the greatest scientific principle ever introduced into American tariff—that of the American valuation plan. It stands supreme as the guiding star to a bright American future, and Mr. Fordney deserves the praise of all true Americans for the steadfast stand he has taken in its defense.

The German importer sees in the American valuation plan his death knell, and veritably it is so written. By every means, no matter how foul, has this dastardly type of fake American tried to influence our Congressmen. But we are proud to say that many of them are far too stalwart to succumb to the vicious sting of these German Gila monsters. The German importer is anything but patriotic. He cares nothing for America and looks only to the profits which he can squeeze out of the American people. If he were a true American, would he not renounce his nefarious business and seek other more honorable pursuits? No. He prefers to remain the depraved and immoral reprobate that he is, and to work with might and main through retail merchants' associations, farm bureaus, and the like, to influence as many Congressmen as possible to delay the passage of the tariff bill. What a contrast to this debased wretch is that prominent American, Charles Schwab. When the Washington conference proclaimed that the battleship fleets would be reduced in number and that a ten-year holiday in capital shipbuilding would be inaugurated, did you find this man, manager of one of the greatest shipbuilding yards in the world, bewailing his fate? No. He is a true American. Scarcely a day elapsed before he announced that he stood for disarmament and that his great shipbuilding yards would be turned to other pursuits. What more striking contrast could we have between this man, Charles Schwab, the American, and such types as H. A. Metz, Kutroff, Pickard, and other German importers?

The American industrialist must needs smile to himself and wonder what new form of insanity has been evolved when he reads of those asinine statements of the so-called "international bankers." They see only through foreign glasses. They maintain that America must buy foreign products in order that our money shall revert to European countries and thus make it possible for them to pay off their indebtedness to us. Why should American industries be completely annihilated in order for the foreign countries to pay this indebtedness? Would it not be a wiser and more sane act for our Government to consider the indebtedness on the other side and let us pay the indebtedness to them as a compromise? Let us devote this sum, so fast as paid in, to the upbuilding of devastated areas of Europe and the world. This is practically the suggestion made by Mr. Frank A. Vanderlip, to which such praise is given. But has it never occurred to these international bankers that there are other things that one can purchase besides the products of American industry? Why not sell to us those millions of dollars' worth of South American bonds? Why not sell us tracts of land in the West Indies and thereabouts? Sell us anything under the heavens, but don't sell us what we are trying to make. I would that each international banker, in his sane moments, if such occur, might purchase a farm and raise products for the market and for his livelihood. What would he say when told that he must buy his potatoes and wheat, and such like, from foreigners? And yet that is exactly what he is asking the American industries to do. I fear, even were he half-witted, he would refuse to consider any such dealings.

All of the objections to the Fordney tariff bill, the embargo on dyes, and especially to the American valuation plan come directly from the German importers. They are united against America and against all that America can become. There is not one single practical argument which they have ever raised that can stand up against the array of facts marshalled in favor of these measures.

The influence which these debased German importers have been able to wield among our Congressmen is indeed disheartening to all true Americans, when we know that prosperity cannot return until the tariff is made a law and that there will be no chance of even a minor prosperity until that time. Is it not possible to awake Congress to the situation; to show them how these German Gila monsters are endeavoring in every possible way to thwart the action of Congress? Are there not enough Congressmen of real red American blood able to force through that tariff, which alone spells prosperity? Many have tried to explain this period of depression and show how it will slowly pass. Much of what is said may be true, but unless we have the tariff there can be no return for the betterment of American industries; and unless we better the American industries today, their chances for growth are frightfully impaired. Indeed, many, many years of endeavor would be required ere they could hope to gain world sway against the industries of Germany and other countries, strong now and ever waxing stronger.

We may talk of disarmament and peace, but there will be no peace until Germany is made to realize that America stands preeminent; that our industries surpass their industries and those of all other countries. In this war after the war our battle cry must be "To hell with all German importers! Down with every thing opposed to American industries!" Let us have a tariff that protects Americans. Let us be sufficient unto ourselves so far as our heaven-given resources will permit. Why should we fear to cast out the German importer? Have we not destroyed the saloon keeper and his curse, many of whom were true Americans at heart? If we do not work to this end and our Congressmen do not realize the importance of industrial growth for our future greatness, there is only a limited future stretching out before us.

As I now reflect upon my student days in Germany, I well recall that toast that my old professor so often proposed as we sat together on a summer afternoon in our favorite beer garden, "Hoch der Kaiser, Deutschland über Alles, Mohr Kraft den Demokraten der Vereinigten Staaten." I thought he referred more particularly to his son, a Democrat in Tennessee, but now I know that he meant, "Give the Democrats and German-Americans more power and a hold on free trade and America becomes the vassal of Germany." Our raw products will be exported to the Fatherland and there converted into finished goods; then returned to us that we agriculturalists, miners, and shepherds may eat and be clothed withal, and be happy in serving our beloved master, Deutschland!

Exhibit No. 915

[File, John H. McNeely]

March 25, 1921.

Mr. John H. McNeely,
101 District National Bank Bldg., Washington, D. C.

Dear Mr. McNeely: I am returning the story received from you this morning with some changes in the introductory paragraph, which I hope you will approve.

We are making every effort to take this fight out of the field of mere tariff production to a new industry. You will notice that the recent literature, including the articles in the book to which you refer, deals with the question of disarmament. The clauses in the peace treaty virtually require the destruction of plants in Germany. If this cannot be accomplished, then the next best thing is to have similar plants built here so that we may produce the new chemical war munitions to offset the production in an enemy country.

It is, of course, a fact, and is quite apparent, that American dye manufacturers want to protect and develop their industry as a business proposition, but we want more than the ordinary tariff for the reason that this is an intricate industry and cannot be developed except under unusual conditions. It really requires the absolute embargo of competitive products so that we can secure an income over the sale of these which will be sufficient to pay for the development of the products which we have not yet learned to make.

I think with the present unsettled condition of world affairs, and with Germany's attitude toward the peace treaty arguments based on the question of disarmament are very much stronger than any others.

I am asking the Dyes Institute for the list of plants which you want. Meanwhile, I am sending you a letterhead of the Dyes Institute, which gives the location of some of these plants.

Very truly yours,

——— ———,
Publicity Manager.

CKW/P

Exhibit No. 916

[File John H. McNeely]

(From room 101, District National Bank Building—Release morning papers Tuesday, March 29)

Washington, March 28.—Supporting the contention that if the American Nation is to be prepared and is to be safeguarded for future wars, development of an American coal-tar chemical industry is imperative, the American Dyes Institute has put out a book containing an elaborate exposition of the case for the American people and a plea for legislative assistance to develop the industry and permit it to take a position where it cannot be destroyed by competition from Germany. The book has been issued " to the American people." It has been sent in Washington to members of Congress and administration officials, and is a notable addition to the arguments already made by the Chemical Warfare Service for protection from the renewal of munitions manufactured in the chemical plants of Germany.

In addition to extracts from speeches in Congress last year urging passage of protective legislation, the book carries excerpts from writings of well-known authorities familiar with the industry here and abroad and with the importance of dyes in peace and war. It makes a strong case for the dyes and says that with an efficient dye-making industry no nation need fear disarmament, but without such an industry the disarmed nation would be at the mercy of any other dye-making nation in the world. It points out how quickly a nation with an adequate dye industry can expand it to make the gases with which Germany almost won the war and which must figure so prominently in all future conflicts.

" Chemical warfare ", says the book, " developing by leaps and bounds throughout the Great War, has assumed commanding importance. In the last of the fighting half the shells used were designed to distribute poison gases, while floods of noxious vapors were launched by means altogether independent of artillery. Chemical defense against these substances had become a first essential. By the same token, scientific advances in the way of discovery of new poisons, or new methods of applying old poisons, held out constant possibilities of instant and overwhelming victory. Already projectiles—not guns—had been developed which could be made in quantity in any tube works and which could put down oceans of gas at a range of a mile. The science was and is in its infancy, but already the chemists, to some extent without the aid of any existing weapon, and to an overpowering extent in conjunction with the older equipment, can provide an attack of hitherto unparalleled efficiency, while they alone can offer any adequate means of resistance."

After discussing the need for dye chemists and dye chemical employees the book goes on to say: "Accordingly no nation can disarm to any serious extent unless it has such an industry. The equipment and the knowledge necessary cannot be improvised, nor even provided beforehand specially for war purposes, and kept, during peace, unused. Inactive plants deteriorate and indispensable trained employees cannot be kept available and the advance of science is so rapid that no anticipation of the Nation's needs can succeed. A scientist at work with only the simplest apparatus hidden away anywhere, at any time, may make discoveries which render all previous preparation worthless. Only the incessant intensive research constantly necessary in the dye industry can hope to keep up with the progress of the science.

"Equipped as a complete dye industry equips a nation with facilities for immediate huge production of the needed substances, and with the men who have the necessary knowledge, no nation need fear to limit its guns, ships, planes, and tanks proportionately with other nations. To a nation not so equipped such a limitation would be suicide. In a disarmed world the dye-making countries will reign supreme.

"Before the war there was but one such country. Germany supplied the world with dyes. In the war her dye works, without material changes, supplied many of her explosives, all her gases, and all the technique of her gas defense. While the Allies were expending years and tens of millions in building plants and making experiments, she was producing as rapidly as she thought necessary. Had she realized her advantage and used gas at the outset as on the later scale, the Allies could never have resisted. A colossal power, fortunately but half understood, was in her hands, and in hers alone.

"Today the United States and to some extent Great Britain are in a similar fortunate position. To be sure of maintaining it, the British have embargoed German dyes for 10 years. As long as we maintain our industry, and for not one moment longer, we can safely plan and attempt disarmament. If we lost our new dye industry we must either remain armed to the teeth or accept the certainty that we cannot resist an attack by any dye-making country."

Exhibit No. 917

Publicity bureau expense, years 1916 to 1934, inclusive

Year	Total (excluding products publicity)	Products publicity	Year	Total (excluding products publicity)	Products publicity
1916	$9,284.34	------------	1926	$30,355.70	[1] $4,512.50
1917	13,238.69	------------	1927	34,905.93	22,562.50
1918	21,892.79	------------	1928	37,203.93	35,591.46
1919	29,724.58	------------	1929	32,405.94	53,785.39
1920	31,698.34	------------	1930	44,042.63	66,134.74
1921	24,378.40	------------	1931	33,218.85	52,630.42
1922	18,382.83	------------	1932	28,648.37	43,917.19
1923	23,423.95	------------	1933	29,167.45	49,081.69
1924	26,121.66	------------	1934	[2] 26,004.53	[2] 55,608.15
1925	26,536.02	------------			

[1] 2 months, November and December.

[2] 10 months, January to October, inclusive.

EXHIBIT NO. 918

1918 and 1925

American Dyes Institute	$56,588.40
Synthetic Organic Chemical Manufacturers Assn	60,888.17
Manufacturing Chemists Association	1,812.57
American Chemical Society	4,530.07
Chemical Alliance, Inc	575.00
T. R. Shipp Service	2,500.00
John McNeeley	3,033.00
Benjamin Raleigh	100.00
Total	130,027.21

EXHIBIT NO. 919

[File—115]

[Copy]

Copy to: Mr. Irénée du Pont, Mr. Lammot du Pont, Mr. R. R. M. Carpenter, Mr. W. C. Spruance, Mr. W. F. Harrington, Mr. J. P. Laffey, Mr. W. S. Carpenter, Jr.

PARIS, *Nov. 29, 1919.*

Mr. W. S. CARPENTER, JR., V. P.,
E. I. du Pont de Nemours & Co.,
Wilmington, Del.

DEAR WALTER: In view of Judge Laffey's sailing on November 30th, ahead of the date on which Poucher and I leave, I am enclosing some papers which will supplement our cable advices and give you some material for discussion until we arrive in Wilmington about Christmas time. The reasons for our waiting until the *Mauretania* will be seen later on in this letter.

Our cables numbered one to twenty-four give an accurate view of our activities since October. It may have seemed to you at times, in view of the expression in your cable #2, that undue time was spent upon matters relating to import regulation but all this has been of the greatest help in bringing about at least a partial realization on the part of the Germans that the U.S. market is not free for them to use as they will.

As soon after we return as possible we must determine just what we should say to the Alien Property Custodian concerning our action in the ammonia matter which never would have been possible at all but for the Chemical Foundation. The sale of the German patents to the foundation has been a very startling thing to the Germans and this evidence of America's power has been a great factor in making it possible to deal with them.

I enclose the following papers which can be discussed at once though I shall of course try to have ready when I reach home, a detailed account of the moves leading up to the conference; 1st, a letter in German (written by Berg in Ludwigshafen) with a translation thereof. This letter while written by Berg to the Badische Co. in the form of a personal reason statement as to why the Badische Co. should cooperate with du Pont Co. is based on discussions of the matter with Berg before his departure for Germany; 2nd, the minutes of the conference as summarized from his notes by Dr. Schwartz and a translation into English by Dr. Kunz; 3rd, the minutes of the conference in English as summarized by Dr. Kunz who acted as our secretary and with Mr. Berg as interpreter.

The plan is for each side, provided the general plan is ratified, to prepare a contract based on the general plan laid down, the final contract that is accepted by both sides probably being a composite of the two contracts submitted respectively by Badische and du Pont.

You will note that the minutes as written make no reference to dyes. This is for the reason that the agreement in the I.G. prohibits discussion without authority from the I.G. The full notes of the meeting, however, which are being worked up, give considerable information as to the attitude on this side of the Badische business, but it was outside of the formal conferences that we learned Dr. Bohn was determined, if it was at all possible, to find a way of direct cooperation with du Pont Co. in dyes. This is the internal problem referred to in cable #22. The size of the ammonia proposition so far exceeds the dye matter that it has seemed best not to attempt to push this affair too rapidly, as a successful ammonia arrangement certainly would lead at once to a dye exchange.

The plan has been for Bosch and Duisberg to visit the U.S. early in the year, but I believe that Dr. Bosch is going to be inclined to go slowly in such a move and not to allow the I.G. to get him in a position where he might have unpleasant contact with official America. Dr. Bohn, of course, being a Swiss citizen could come to U.S. any time. Although hard pressed during the war he never surrendered his Swiss citizenship. It is perfectly clear that there are two contending forces in the Badische board. Apparently the sensible, modern division is led by Bohn-Bosch and realizing the economic situation is determined to make as good a deal as possible with America in order to get ahead. The other side probably responds to the attitude of Duisberg who apparently still believes he can bully the U.S. The Badische has recently reorganized and we shall have in due time a chart which Berg will get for us next month. Bosch is now president and while he and Bohn will not have an easy time with some of the other directors, I feel that they will have their way, particularly since Badische's position on account of the ammonia process is considerably better than that of the other members of the I.G. It may be that the I.G. may decide to deal as a unit in the U.S. with either National, Grasselli, or ourselves. At any rate you can see the importance of everlastingly turning the regulatory screw in America both as to control of imports and future protective legislation.

I regret very much that Harry Stephenson has been agreed upon as the Textile Alliance representative. In view of our relations with Badische you can see how desirable it was that the men representing the Textile Alliance be drawn from the ranks of the consumers. However, we shall be able to give sufficient information to enable Stephenson to help the Alliance and not compromise us. We shall be glad to learn just the details as to what went wrong in the State Dept. and War Trade Board that allowed the understrappers at Ludwigshafen to boast to Herty and Fleisch that they were able to deal directly with their old agents. Heading this off was a fine piece of work on your side which unfortunately was not known by the Germans at our Zurich conference, and we thought it better to let them find it our rather than get it from us. I am afraid consumers are going to be disappointed in the quantity of dyes they can get cheaply under the reparation plan, but the next month will show what can be done. Poucher will have a conference with Stephenson before we go. We have Kunz in Paris today, but we want to keep him out of this end of the game from now on as he may be asked to go over to Ludwigshafen at any time.

Our return to London is for two reasons. First, Lord Moulton and Turner showed us the new miniature Leverkusen at Dalton (Huddersfield) with the evident idea of impressing us with the value of the things Levinstein gouged out of the Bayer factory in the British section of the occupied territory. They have considerable no doubt, but I do not believe Great Britain is going to make a very great success in the industry and as our cable plainly stated we were against paying any more money for second-hand information. We accordingly left the Levinstein matter hanging and will now see whether we can so arrange as to have the British Dyes assume the L. contract with some modifications. Otherwise we shall let it stand as it is.

We also wanted to see Sir Harry McGowan, but will have to see Mitchell in his place, as we understand Sir Harry has gone to U.S.

When we were in Paris we learned that Semet Solvay had been endeavoring to make connections with Badische. We were called upon by Mr. Brunner, Col. Pollit (technical man) and Mr. Gold of Brunner Mond & Co., who in a very inept fashion tried to find out just what we were doing. This was before we sent Berg into Germany to begin negotiations. They expressed belief in the necessity of making some kind of a deal with the Badische Co. if the process was to be instituted successfully—stated that they understood we were negotiating with Badische—were we, etc. They also used the name of the Explosives Trades, Ltd. in a fashion from which we might conclude that they had come to us by that route. The situation was, as you can see, decidedly embarrassing, but I think we cleared the air by asking Mr. Brunner if he wanted us to cooperate with him in securing rights to the technical information. He shied at this and after a little talk agreed to return to Paris the next Wednesday (this was

Friday, Oct. 31) to discuss the situation. I had told them that we had reports on the situation but had no negotiations. I believed they were on a fishing excursion—felt sure I was trying to mislead them and would endeavor to connect with Badische direct without further word with us. Please note that they referred bravely to alliances when talking with us—I did not expect them to meet their engagement. They turned up neither on Wednesday nor Thursday, Nov. 5 and 6, and on Thursday evening Nov. 6 Berg left for Germany to arrange if possible for a conference. Poucher very properly was insistent on a sifting process to determine whether we would have to meet some of the old crowd who undoubtedly would be very antagonistic to him and us.

We knew that negotiations were under way between Badische and the French Government but in what form we could not tell. When Berg left for Mannheim there was some uncertainty as to the whereabouts of Dr. Bosch as we knew that he was likely to be called to Paris by the French. Berg left a letter for him at the German legation. The result of this was that we were called up Sunday morning Nov. 9 by Mrs. Berg saying Dr. Bosch was at her house and would like very much to see us. Poucher, the judge, and I, of course, went out at once. We found Dr. B. a thick-set German savant, who naturally was a bit shy under the circumstances. He explained the French situation to us but did not want to sign up with them until he felt that he was not damaging his chance of a deal with us. We could see that it was really necessary for him to make this agreement and told him to go ahead. This is a feature of the situation to which some attention must be given though I am of the opinion that if we do this at all France will be buying synthetic sulfate before she makes it. The contract also has to be approved by the Senate and may fail there.

It was agreed with Dr. Bosch to have the Zurich meeting if it could be arranged when he returned to Mannheim on the following Wednesday—Berg's good work on this helped with the result you have seen. Dr. Bosch confirmed my belief as to the action of the English whom he accused of very bad manners to say the least. When he was arranging to go to Zurich he had a telegram from Brunner asking that a conference be arranged for in Aachen. I suppose Bosch is now arranging for a conference with these people, whom he feels bound under the conditions to listen to, for sometime in December—I hope after we have sailed. As Brunner called upon us at Berg's office I am sending Berg back to Germany (when Bosch sends him word) to be present with Bosch when meeting Brunner, Mond & Co. whom he will advise that their arrangement must be with the new company. I am, of course, anxious that there be no feeling on the part of the Explosives Trades Ltd. that they will have no chance to share in a thing of this kind and if we can arrange things in England, as I believe we can, so that Brunner Mond if they are working with Explosives Trades Ltd. cannot lay the charge of poor faith at our door. We are certain of one thing however—we never had any intimation from either Explosives Trades or Brunner Mond that they were ready to share with us.

This I think gives you the main situation which with the enclosures will put you in pretty good shape for discussion as soon as we return. Judge L. will proceed with contract preparation along the line of the conference as you may suggest—if the idea is approved as the result of your study of the nitrogen question. Personally I hope it will be approved as I think we have a chance now to do something really big in chemical work and particularly in the fertilizer industry.

Faithfully yours, CHAS. A. MEADE.

EXHIBIT No. 920

Copy to: Mr. Irénée du Pont, Mr. Lammot du Pont, Mr. R. R. M. Carpenter, Mr. W. C. Spruance, Mr. W. F. Harrington, Mr. J. P. Laffey, Mr. W. S. Carpenter, Jr.

(No date.)

OUR WORDINGS

MINUTES OF A MEETING HELD NOVEMBER 20, 21, 22, AT THE BAUR AU LAC HOTEL, ZURICH, SWITZERLAND

There were present: Dr. R. Bosch, Dr. R. Bohn, Dr. I. Schwarz, representing the Badische Anilin & Sodafabric, Ludwigschafen, Germany, referred to hereafter as Badische Co., and Ch. A. Meade, M. R. Poucher, J. P. Laffey, Eysten

Berg, E. C. Kunz, representing E. I. du Pont de Nemours Co., Wilmington, Delaware, U. S. A., referred to hereafter as the du Pont Company.

On the basis of a letter dated November 12th, 1919, addressed to the Badische Co., by Mr. Eysten Berg, in behalf of the du Pont Co., in which was outlined a plan for cooperation between the du Pont Co. and the Badische Co., for the world exploitation of the Bosch-Haber ammonia process, the following points were discussed and agreed upon as a basis of a final contract.

(1) It was agreed that it is possible to form a company for the world exploitation of the Bosch-Haber process.

(2) The world company should have the whole world as its market except as follows:

(*a*) France with whom the Badische Co. already have made a contract which is limited to the manufacture and sale only in France, her colonies, and protectorates. It is understood that should the French fail to carry out their plans, these territories should be included in those assigned to the world company.

(*b*) The Badische Co. shall be granted an exclusive territory in which to exploit the process, Germany and the territory known as Austria-Hungary in 1913.

It is understood that the Badische Co. shall have the right to sell in all Europe the products of its plants at Oppau and Merseburg, Germany, up to the equivalent of 300,000 tons of nitrogen until such a time as the consumption in the exclusive territory of the Badische Co. will absorb this production, when the Badische Co. sales are to be confined to its exclusive territory.

The world company is to give if necessary a special license to England to be confined to the production of nitric acid for the needs of the British Isles, the returns from such license to be given entirely to the Badische Co.

The Badische Co., stating that they have tentative negotiations with Japan for the process agree that these negotiations be held in suspense until proper action can be taken by the new world company.

(3) Capital for the world company shall be furnished by the du Pont Co. and the du Pont Co. shall manage the business.

(4) Provided conditions warrant the initial capacity of the new company should be a plant for 100,000 tons nitrogen per year. The nitrogen produced by the new company is for conversion into nitrates, nitric acid, and similar compounds as well as fertilizers, by the processes developed in connection with the Bosch-Haber process by the Badische Co.

Nitrogen products taken by the du Pont Co., from the world company shall have the price fixed on the basis of the market price of sulfate of ammonia less the cost of conversion of ammonia into sulfate of ammonia.

(5) The increase in production capacity shall be according to demands. A certain minimum production shall be maintained.

(6) The world company and the Badische Co. shall exchange free informations and improvements made in the business covered by the contract.

(7) A corporation is to be formed of which the Badische Co. is to receive 25% of the total stock issue in exchange for its information and its experience and the Badische Co. is to have representation on the board of the new company in proportion to its stock holding.

In case the capital is increased the Badische Co. is always to receive a like proportion of free shares. The capital to be increased as the production capacity increases. The Badische Co., in case it wishes to dispose of its stock holding shall first make offer of such holding to the du Pont Co.

(8) The du Pont Co. will undertake the plan construction of the world company at cost plus 10%.

Exhibit No. 921

EXTRACT OF LETTER FROM MR. BERG JANUARY 12, 1920

Have just returned from Aachen, where I met Director Bosch, Director Smith, and Dr. Schwarz, of the Badische Company.

The meeting with the English group (Brunner Mond and Solvay) took place yesterday afternoon at the Palast Hotel, in Aachen.

Before the meeting I talked the situation over with Dr. Bosch, and we came to the conclusion that it was best that I should only appear at the meeting if the circumstances required it.

As the Badische Company and we have not signed a contract, Dr. Bosch thought it would be unwise if I took deal in the meeting, particularly while he was determined not to make any definite arrangement with the English at this time, but only wished to hear what they had to say.

The Badische has, as you know, been communicating with Brunner Mond for quite some time, and he believed the Badische should see them alone and inform them in a general way about our arrangement as far as the world exploitation of the ammonia process is concerned.

If I appeared in the meeting as the representative for the du Pont Company, the whole matter could end in a fight and be very disagreeable for the Badische, that had not advised the English about this matter before they came to Aachen.

After considering the matter, I came to the conclusion that it was just as well that I did not participate in the meeting, particularly as I was on the spot, and Dr. Bosch furnished me all information about what was going on.

A. The following is the result of the meeting at the Palast Hotel, Aachen, the 11th of January 1920. The information received from Dr. Bosch and by looking through Dr. Schwarz's report of the meeting:

Present:

(1) From the Badische: Director Dr. Bosch, Director Smith (Commercial Director instead of Brunck), Dr. Schwarz.

(2) Of Brunner Mond Company: Roscol Brunner, Mr. Pollit, Mr. Gold, Mr. Aron.

(3) Of the Solvay Company: Mr. Gielen, German Director of Semi Solvay in Bernburg, Mr. Jansson, Mr. Hannon, Mr. Tourniere, French Directors of Semi Solvay.

Mr. Roscol Brunner, being the chief spokesman for Brunner Mond, gave the following explanation:

The British Government has handed over to Brunner Mond and Solvay all their work and experimental plants on the synthesis of ammonia made in England during the war on the condition that this group shall arrange with the Badische to secure the Bosch-Haber process for Great Britain. For this reason they have approached the Badische for the purpose of buying the ammonia process.

They wanted the process for the consumption of nitric acid and other chemical technical purposes for England, but the combination made with the Solvay Company made it desirable to secure the process for all purposes and for the whole world. Semi Solvay being established over the whole world and working in connection with the General Chemical Company in America would secure the best possible guarantees for a successful introduction of the process for the world market.

Dr. **Bosch**. We have already made an arrangement with the du Pont Company for the exploitation of our process for the world. We have always gone out from the point of view, that we should be directly interested in such a proposition. We are bound to the du Pont Company as far as the world is concerned and you will have to discuss this matter with them.

As far as Britain is concerned we understand that you wish to secure the process for nitric acid and other technical purposes and we are ready to discuss this matter with you.

We wish to limit this license to these purposes only.

R. **Brunner**. We must have the right not only for Great Britain but for at least the British Empire. We must also have the right to manufacture sulphate of ammonia for fertilizing purposes.

We have already been in communication with the du Pont Company for the purpose of exploiting your process and we are through, "Explosives Trades" in close relations with the du Pont.

Mr. **Pollit**. Have you met the du Pont Company's official representatives lately?

Dr. **Bosch**. Yes; we have discussed matters with them.

Mr. **Jansson**. As the matter stands we will then have to discus a world combination with the du Pont; as Mr. Gold and myself intend to go to the U. S. on January 28, we shall see the du Ponts and discuss the matter with them.

Mr. **Gold**. The best thing to do is to leave the whole proposition until we have talked the matter over with Du Pont, in order that we may come to an understanding and avoid unnecessary competition.

Dr. **Bosch**. I am ready to discuss the matter as far as Great Britain is concerned, but I leave it entirely to the Du Ponts to arrange as far as the world company is concerned.

I wish you to bear in mind that our process may not be as advantageous as you believe under the present difficult conditions.

The plant cost will naturally be high now and we have also the competition with the Chile saltpeter and coke-oven ammonia to reckon with.

Under pre-war conditions our process is far ahead of any other competitor, but the conditions may have changed the prosperous outlook. This, I am, however, not able to judge, as I do not know the conditions in other countries.

Mr. POLLIT. Leave that entirely to us. We know, perhaps, better the nitrogen situation at the present than you do.

We have looked carefully into it and we are sure that there is no fear of competition from Chile saltpeter. We are convinced that your process is the process, and by going hand in hand with the coke-oven ammonia people, we would be able to dominate the world market.

We must in any case have the process for the British Empire and also for fertilizer purposes.

Dr. BOSCH. This can only be discussed after you have seen the Du Ponts in Wilmington.

Mr. BRUNNER. Then, we leave the matter open in such a way that we will see you after we have discussed the matter in Wilmington.

The above covers in the big lines the discussion. The meeting was a short one. Dr. Bosch left the English and came to me and we discussed again the situation. We agreed that there was no reason for me to appear, as the English group is sending representatives to Wilmington, and you had not given me any authority to act on your behalf.

The English people do not know that I have been in Aachen or the next room in the Palast Hotel, and I believe this way to handle the matter from my side was the best thing to do.

Dr. Bosch requests me to tell you that if the English should say that he (Dr. Bosch) has agreed upon to give them full rights for the whole British Empire, also for fertilizer, this is not the case. Nothing definite has been arranged no memorandum has been exchanged. The whole was an informal discussion pending upon what kind of arrangement the English group may make with you in Wilmington.

The outstanding points of the meeting are:

(a) The English group claims they are working under direction of the English Government.

This is absolutely contradictory to the statement made by Lord Moulton to Mr. Mead.

(b) The English group is convinced that the Badische's process is the best and wish to secure it for the whole world.

(c) They insist upon at least to obtain license for the British Empire not only for nitric acid and technical purposes but also for fertilizers.

(d) They did not, and know still nothing about our meeting in Zurich.

They do not know anything about our tentative agreement with exception of what Dr. Bosch told them, that the Badische is going to be interested in the new company.

(e) Brunner Mond claims near connection with Explosive Trade and through them with us.

(f) Nothing has been decided upon; all is pending upon our standpoint and all further discussions have been postponed until Messrs. Gold and Jansson return from America and have talked with you.

EXHIBIT No. 922

[File 99]

WARDMAN PARK HOTEL,
Washington, D. C., January 22, 1920.

IRÉNÉE DU PONT, Esq.,
Wilmington.

DEAR MR. DU PONT: Situation clearer and better today.

Martin and the major are hard at it. The plan is to push and keep Wood in the background; that is behind Culbertson. Martin and the major are to fight it out with Culbertson by agreement with Sen. Curtis.

They will take anything from Culbertson that will help embargo and nothing that will hurt.

The major will likely propose that as this is a measure touching "national defence", the Commission should be headed by Gen. Siebert to give it the flavor of defence rather than tariff, the other members to be one each from Treas., Tariff Board, dye makers and consumers.

No call as yet from the Sub. Com. for the dye manufacturers. My guess is it will not come before next week but if it does I will phone you.

Sincerely,

POUCHER.

EXHIBIT No. 923

[Publicity Bureau memorandum for information on dye tariff bill—legislation—dyes]

NOVEMBER 10, 1919.

* X7.1–1.

Personal.

Mr. H. B. RUST,
The Coppers Company, Pittsburgh, Pa.

DEAR SIR: Our chemical department has started to get up the information which you asked, about the amount of coke oven byproducts which enter into the making of dyes. Their data will deal not only with the du Pont Company but with the American dye industry as a whole, and I hope to have it ready for you in a short time.

Col. John P. Wood can be addressed at 22nd and Spring Garden Streets, Philadelphia, Pa.

Mr. du Pont thinks that a word from you to Joseph R. Grundy of Bristol, Pa., would be very valuable to our organization. Mr. Grundy and Col. Wood are very closely allied, and Mr. Grundy is an important factor in the eastern part of the State. We are informed that he would be glad of recognition by interests in the western part of the State, and that if he could be shown that Pittsburgh and vicinity have a vital interest in the pending legislation he might withdraw much of his opposition, which is based on what he believes to be the sentiment of his own section.

I would be glad to talk this over with you on the phone at your convenience. I understand that you will not be in Pittsburgh for some time, but if you are within phone call, either there or elsewhere, I would be glad to talk the matter over with you.

Very truly yours, ——— ———.

CKW/MAP

EXHIBIT No. 924

[Publicity Bureau file: Poucher, M. R. Correspondence, dye]

MARCH 23, 1920.

File: 2763–MRP.

Mr. JOSEPH H. CHOATE, Jr.,
60 Wall Street, New York City.

MY DEAR MR. CHOATE: I have been trying to get you on long distance this afternoon to tell you that I have just received a telegram from our mutual friend, Mr. Franklin W. Hobbs, of Boston, reading as follows:

"I attended a conference on dyestuffs with several manufacturers, at Mr. Wood's office this morning. His counsel, Mr. Aurebach, was also present. I am confident that Mr. Wood is now ready to change his amendments so that they will meet Mr. Choate's approval. I am convinced Mr. Wood favors your bill. I am to meet Mr. Aurebach again tomorrow, Wednesday morning, for further conference."

(Signed) FRANKLIN W. HOBBS.

Immediately upon receipt of this message, I got Mr. Hobbs on long distance, and he gave me the story of what took place at their meeting this morning. It appears that Mr. Hobbs took upon himself to write Mr. Wood a letter a few days ago, pointing out the danger of not only his own position but that of the entire textile industry in opposing this bill.

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* Personal marking.

Incidentally, Mr. Hobbs called Mr. Wood's attention to the movement under way by the Department of Justice to investigate the textile industry on the charge of undue profiteering. At any rate, Mr. Wood decided to call this meeting. Mr. Hobbs tells me he made a statement along the lines of Mr. Hobbs' letter. This was followed by some remarks by Mr. Auerbach, to the effect that in his opinion these mills should all support the bill.

I told Mr. Hobbs that I thought the proper procedure would be for Mr. Auerbach to see you immediately upon his return from New York (either Thursday evening or Friday morning), and if the amendment proposed by him met with your approval, it could, with the consent of Mr. Wood, yourself, and Senator Watson, be brought up in conference; provided, of course, that Mr. Wood withdraws the four amendments and so notifies Senator Watson.

If we can get these four amendments out of the way by some arrangement with Mr. Auerbach, then the next step will be to get rid of the Moses amendments in the same manner, through the influence of Mr. Wood and Mr. Auerbach, if within the range of possibility.

I am going back to Washington tonight and will be at the Wardman Park Hotel for the next few days.

I repeated Mr. Hobbs' telegram to Judge Covington over the telephone; and the suggestion to take the Auerbach amendment, if acceptable, into conference instead of introducing it on the floor of the Senate comes from him.

Yours very truly,

(s) H. R. POUCHER.

LPL

EXHIBIT NO. 925

File—115

[Copy]

41 AVENUE DE L'OPERA,
Paris, February 3, 1920.

Copy to: Mr. Irénée du Pont, Mr. Lammot du Pont, Mr. C. A. Meade, Mr. M. R. Poucher.

Subject: Our negotiations with the Badische.

Attention also: Messrs. Laffey, Mead, and Poucher.

E. I. DU PONT DE NEMOURS & CO.,
Development department, Wilmington, Delaware.

DEAR SIRS: Referring to my letter of January 27th on this subject, I beg to inform you that further interviews with as well Dr. Bosch as Dr. Duisberg in the big lines have confirmed the facts outlined in said letter.

First, ammonia: The Germans did not come to any definite arrangements with the Solvay Company, as was expected.

The fight is now between Solvay and the French Government. The former does not want to start any construction at the present but would prefer to wait sometime until conditions are more favorable for such large development.

The French Government, however, demands the immediate construction of a relative large factory.

The Solvay Company would prefer importation from Germany at the present and the beginning of the construction, say, next year.

The contract with the Badische is therefore still in the hands of the Government, but all chances are for an arrangement between Solvay and Badische with the French Government as mediator.

They will now probably wait until they have seen you, but you might bear in mind that they have made no definite arrangement with the Badische for France.

As far as Brunner Mond is concerned, the situation is as informed you in my letter of January 27.

Second, dyes: The arrangement regarding dyes have been made with the French interest "Compagnie National de Matieres Colorantes." The arrangement is made in such a way that the French company, *together* with the I.G., shall operate all former German dyestuff factories in France, the French being directly shareholders in these former exclusively German factories. The arrangement, so Dr. Bosch says, concerns only France and her colonies and has not in view any exportation to other parts of the world.

The Germans seem to be much pleased with the arrangement they have here and they may have in view some similar move in America.

As well Duisberg as Bosch, both of whom I had out to dinner the other day, were furious on Dr. Herty, and Dr. Bosch declared that he would at once break off all negotiations with us if we have anything to do with the difficulties raised against the German dyes in America. We must understand, he said, that if we were negotiating with them both sides must be frank to each other and that we could not expect the Badische to go further in the started negotiations with us if they knew that behind their back make everything possible to hurt their interest in America and elsewhere as far as dyes are concerned.

Dr. Duisberg said it was the only thing for them to do to try to go to America as soon as possible and that he could arrange to get permission to land. They would also visit Japan, the Japanese having invited them to come.

The whole miscontent is due to the fact that the Germans have been of the opinion that Dr. Herty belongs to our company and that all measurements taken in America against the German dye interests originate from us.

We parted as good friends, I being invited to Bosch and Duisberg the last evening they were here, and they are now convinced that as far as we are concerned we have paid fair play vis-à-vis them.

I told Duisberg that he better not come to America just now but let Bosch go alone for the ammonia question. I do believe he will not sail at the same time as Dr. Bosch but come later with Mr. Weinberg.

Bosch requested me to come to Ludwigshafen before I sail; and as I cabled you today, I intend to do so in the near future.

It seems to me that I should postpone my trip to America until you have discussed the matter with Messrs. Gold and Jansson. No doubt you will have to communicate with Badische during or immediately after these discussions, and you may probably have suggestions to make Bosch that should come in his hands before the representatives for Mond and Solvay return. Consequently, I have taken passage on the Rotterdam, leaving Holland on February 27.

I am sure you agree with this arrangement.

Yours very truly,

EYSTEN BERG.

EXHIBIT NO. 926

[File, Publicity Bureau, Whaley-Eaton Service]

PARIS, (VI),
3 RUE BENAPARTE,
January 25, 1921.

Mr. CHARLES K. WESTON,
Publicity Department, E. I. du Pont de Nemours & Co.,
Wilmington, Del., U. S. A.

DEAR MR. WESTON: I have had three meetings with Dr. Chapin, as a result of which I have arrived at the most satisfactory arrangement I think possible, under present conditions, to make with him. He will not, cannot he says, talk officially. He therefore will not meet the newspapers at an arranged conference. He appears all tied up to silence officially, but he will tip me off to people he comes into contact with who know conditions and who are in a position to talk. He mentioned that he had information in his possession of vital importance to friends in New York, information, he said, which would prevent them severe money losses, but that he could not pass the information on under the present policy.

I asked him who is responsible for such a policy when almost all Government agencies in Washington have by now established official publicity bureaus. He said Mr. Boyden, head of the Commission, was the man. I am arranging to have Dr. Chapin, with whom I am getting along famously in a personal way, introduce me to Mr. Boyden, to whom I am going to suggest the advisability and wisdom of loosening up on information, if not to the extent of putting out statements, at least to the extent of saying to correspondents who come for verification of information, "That is so" or "That is not so." If I can get such a system working here, there will be no trouble in having information which can be obtained from unofficial sources approved as correct officially, which will be sufficient for the purposes of the Paris correspondents.

The A. P. carried a cable on the substance of an interview I had with Professor Blondell, professor of economics and political science of the College of France, and I suppose you noted it in the cable despatches. The Public Ledger syndicate and the Chicago Tribune syndicate papers are to be supplied with a story I have arranged which will point out that the French Government, upon confidential information from its investigators in Germany regarding a coming great German dump of goods, will further increase its coefficient tariff rates on dyestuffs, chemicals, etc. The stories will point out that France will increase the coefficients not only to safeguard French industry but also to prevent further unemployment due to French production being stopped by a great stream of German goods. This will checkmate the German plans as far as France is concerned but will have the effect of concentrating Germany's attention on the United States, which alone of all the great countries has not acted to safeguard its dye industry. This story should bring out some editorials in the American press, and it might be possible to have it suggested to some of the newspapers that editorial treatment of the cable would be of public service.

Dr. Jacoby, who is Dr. Chapin's associate, showed me yesterday a clipping from one of the Ledger syndicate newspapers. It was a cable dated January 7, and was the article you supplied. The clip had been sent him from America, and the last paragraph had been heavily blue-penciled as a mark of approval.

I sent you a cable yesterday notifying you of the coming appearance of the stories for the P. L. syndicate and C. Tribune papers. I hope to get some more material over the A. P. wires shortly.

I have made arrangements with Dr. Chapin and Captain Norris, who is a good fellow, to be tipped off promptly if Karl von Weinberg arrives in Paris. He would get in touch with either of these two men upon his arrival. I shall then attempt in an interview to get him to boast a little and to have three or four of the other correspondents with me at the interview.

Dr. Chapin says confidentially that he sent some information to a friend of yours, who, I believe, is Mr. Poucher, and that his action was objected to in the office here when it became known. He gives this as an illustration of how careful he has to be, although in full accord and entire sympathy with our purposes. Dr. Chapin went over all his difficulties thoroughly when we had luncheon together yesterday.

By the way, I suppose that an occasional luncheon, etc., in furtherance of the project would not be objected to, but I should like authorization. In this case Dr. Chapin paid for the lunch, but I want to be in a position to come back at him and the other people who we want to cultivate, including such men as Williams, of the P. L., Roberts, of the A. P., Descheil, who is a good plugger, etc. Floyd Gibbons, of the Tribune, should be cultivated more closely, and you know how much can be done over a bite to eat and a drink.

Carl Ackerman, who dropped into the Ledger Bureau while I was there, over on a short visit from London, requested me to remember him to you.

I shall have a new office next week, right at the Place de la Concorde. The address will be 8 rue Saint-Florentin, Paris (Ier), off the Rue de Rivoli at the Place de la Concorde, just over the bridge from the Chambre des Deputies and the French Foreign Office, and right up against all the hotels, etc. I am very much pleased with it.

Dr. Chapin and Col. Taylor and Mr. Chase ask me to remember them to you.

Sincerely,

(s) BEN K. RALEIGH.

EXHIBIT NO. 927

[File, Publicity Bureau, Poucher, M. R.; correspondence, dyes]

BOSTON, MASS., *January 5, 1920.*

F. D. BYRNE,
Publicity Department:

I received a letter today from Mr. Weston from London, dated December 17th, together with some clippings from the London papers of various dates between December 3rd and 17th. I think we are beginning to see some results; for example, the article in the Boston Transcript issued Dec. 31st, page 6, under this heading:

"BRITAIN FORESEES 'GAS' WAR—NEW LEGISLATION WILL SHUT OUT DYESTUFFS AND ENABLE PLANTS TO BE BUILT WHICH CAN BE CONVERTED INTO POISON-GAS FACTORIES

"LONDON, *December 31.*—That poison gas will be the supreme weapon in the next war is accepted by the Government. This is the inference drawn from the passage of the dyestuffs import regulations act, which prohiits the importation of dyestuffs for the next ten years. During this period England will be enabled to build up her dye industry to a point of absolute dependence from the outside world.

"Dye plants, by a slight change, can be readily converted into war plants for the manufacture of poison gas. When the World War began in 1914, England had very few dye works, but Germany was full of them. Hence the British had to build the factories for the making of poison gas, while the Teutons had everything ready. The conversion of the numerous dye plants into 'gas' plants was, practically speaking, the work of only a few hours."

I notice that this heading follows very closely the one in the London Evening Standard of December 7th, reading:

"POISON GAS AND THE NEXT WAR—NATIONS EXPERIMENTING ALREADY—BRITISH POSITION—GASES IN WARFARE—VALUE OF A HIGHLY DEVELOPED CHEMICAL INDUSTRY"

This is the right line and it must be pushed hard on this side. I suggest that you look out for any statements or reports from General Fries. They will, of course, be quite in line with the foregoing.

M. R. POUCHER.

MRP–F.

EXHIBIT NO. 928

[Memorandum]

JANUARY 15, 1921.

To: C. K. Weston.
From: F. J. Byrne.

Recently there have appeared a number of dispatches in the American papers along the lines that are very desirable to us. These look to me as if they have been cabled to this country as a result of your visit to the other side.

(1) The Boston Transcript of Dec. 31, 1920, carried a fine story on "Britain Forsees Gas Warfare," dated from London.

(2) The Washington Herald had a cable dispatch written by Wythe Williams from Paris about German dye plots against the United States. This was taken up by the Manufacturers Record and made the subject of a splendid full-page editorial.

(3) The Evening Bulletin of Philadelphia had a dispatch from London talking about the importance of the British action passing the dye bill and its relation to American affairs.

(4) The Public Ledger of Jan. 8, 1921, had a dispatch from Paris about "Germany Sets Dye Trade Trap."

These dispatches, of course, are syndicated in many cases to appear in different places throughout the country, so that the publicity on these four items I mentioned must have been very considerable.

C. K. W.
* See me about this.
FJB.

FJB/P.

EXHIBIT NO. 929

APRIL 28, 1921.

To: Mr. C. A. Meade, room 9104.
From: C. K. Weston.

The inquiry which Dr. Koontz makes through Mr. Chase concerning the whereabouts of Mr. Guy Martin, and the articles which he wrote for the Paris editions of the New York Herald and the Chicago Tribune, throws an interesting sidelight on my visit to London and Paris.

You will recall that I sent you copies of these articles very recently. They were written by Mr. Ben A. Raleigh, an old newspaper acquaintance whom I left on guard in Paris. He assumed the name of Guy Martin for publication purposes.

His Paris address is 8 Rue Saint-Florentin, Paris, and he is in constant touch with our Paris office. He as my agent will carry out any suggestion which Dr. Koontz or Mr. Chase may make. I am returning Mr. Chase's letter.

PUBLICITY MANAGER.

CKW/P

EXHIBIT No. 930

[Copy to: C. K. Weston]

Mr. M. R. POUCHER, JUNE 14, 1922.
Room 9120, Building:

The following cable was received today by the Whaley-Eaton Service from its Paris correspondent:

"Congressman Everett Sanders and Frederick Purnell associated with Britten Berlin negotiations."

J. F. BYRNE.

FJB/AER.

NOTE.—Both Sanders and Purnell are Congressmen from Indiana.

EXHIBIT No. 931

SEPTEMBER 22, 1921.

Mr. P. H. WHALEY,
Whaley-Eaton Service, Munsey Building, Washington, D. C.

MY DEAR WHALEY: You know, of course, that the chemical industry will figure very largely in the coming disarmament conference. The Chemical Warfare Service will, of course. be consulted. It may interest you, as a piece of news, to learn that the chemical industry as a whole will be represented through advisers to be appointed to help the American delegation solve its problems. The names of several distinguished chemists are now under consideration at the White House, and announcement of the appointment of representatives of the chemical industry probably will be made very soon.

For your private information, the President has received favorably the suggestion that Dr. Charles H. Herty and Dr. Edgar Fahs Smith, former provost of the University of Pennsylvania, and president of the American Chemical Society. be named as advisers.

The Evening Journal, of Wilmington, is reprinting on its editorial page today the chemical story which the Manufacturers Record printed last week.

Very truly yours,

MANAGER PUBLICITY BUREAU.

CKW/AER.

EXHIBIT No. 932

WHALEY-EATON SERVICE,
Washington, D. C., November 9, 1921.

Mr. FRANK BYRNE,
E. I. du Pont de Nemours & Co., Wilmington, Delaware.

DEAR SIR: Referring to your telephone inquiry in regard to the members of the French delegation experts on chemical disarmament:

Our own information, as carried in our last week's foreign letter, came by cable, which mentioned the names of these two gentlemen as Mayer and Moren. On inquiry at the State Department we find that M. Andre Mayer is in Washington with the French delegation, but no M. Moren. There is, however, a M. Moureu. It is our opinion that this last is unquestionably M. Mayer's associate and that the Moren in our cable was garbled.

We think it very unlikely that we will be able to get any of the details of the plan for chemical disarmament from these gentlemen, but we will do our best.

Very truly yours,

WHALEY-EATON SERVICE.
By: (s) HARRY EATON.

he.w

EXHIBIT No. 933

NOVEMBER 25, 1921.

Mr. M. R. POUCHER,
Room 9120, Building:

From: C. K. Weston.

I am informed through the Washington "grapevine" that the British delegation to the Limitation of Armaments Conference has a plan to submit concerning the chemical industry which embodies these points:

First, to outlaw the use of poison gas in warfare and to outlaw as far as possible anything of a dangerous chemical nature;

Second, failing to secure drastic action (as they expect to fail) to limit the use of chemicals as much as possible;

Third, to put the chemical industries of the various nations under the control of the governments.

From the same source comes information that an economic conference is a certainty and that Britain will suggest, among other things, that Germany be helped to reestablish her industries, particularly those which depend least on outside sources for their raw materials—meaning their chemical industries—and that England will be willing to assume the responsibility for control of this German industry by undertaking to supervise the distribution of German chemical products to the markets of the world.

I understand that Sir Reginald McKenna, chairman of the board of the Midland and City Bank (?), is now or has been recently in this country in conference with leading American business and banking interests.

CKW/AER.

EXHIBIT No. 934

STATEMENT BY JULIUS KLEIN, FORMER ASSISTANT SECRETARY OF COMMERCE AND DIRECTOR OF THE BUREAU OF FOREIGN AND DOMESTIC COMMERCE

The Senate inquiry appears to me to present an incomplete version of the Commerce Department's discussions with American manufacturers of sporting arms in 1925.

When the State Department began preparations for the arms conference a draft of the projected treaty was released in Geneva. American manufacturers discerned at once that the text appeared to apply also to international peace commerce in sporting arms and ammunition and to industrial explosives. They protested to the State Department that such prohibitions threatened a damaging encroachment upon American commerce without in any way advancing the real purpose of the Arms Limitation Conference.

At the request of the Secretary of State, Mr. Hoover, then Secretary of Commerce, called a meeting of the principal American manufacturers of sporting arms and industrial explosives. This conference, held at the Department of Commerce on April 1, 1925, was devoted exclusively to a discussion of such changes in the text of the treaty as would free sporting arms and industrial explosives from the restrictions contemplated for military supplies.

My own covering letter of April 2, transmitting the conclusions of the conference, ended with this paragraph:

"Your attention is invited to the fact that the enclosed memorandum does not necessarily represent the views of the Department of Commerce, but merely those of one branch of the industry, and that the participation of the Department of Commerce is limited to the task of ascertaining and crystallizing the views of the industry for the benefit of the Department of State and of the American delegates to the Geneva Conference."

The whole purpose of the conference, and the only interest of the Commerce Department in the Discussions, was to distinguish between normal peace-time commercial business in sporting equipment and industrial explosives on the one hand and military arms on the other; and to make certain that the legitimate peace commerce should be properly safeguarded in the treaty.

A full report covering these discussions was transmitted to the State Department at the time.

During his administration President Hoover, in messages to Congress and public addresses, urged ratification of the Geneva Arms Treaty no less than six times. As late as January 10, 1933, he sent a special message to Congress, again urging ratification of this treaty. In this message President Hoover said in part:

"This convention has been adhered to by a large number of other important nations and is practically stopped through failure of the United States to adhere to it. Its ratification would contribute to the ends being sought by the entire world for the prevention and limitation of war. I earnestly urge that this convention should be ratified."

Over a period of twenty years Mr. Hoover has been a conspicuous figure in the movement for the effective organization of the peace of the world. His vigorous advocacy of the Kellogg-Briand Pact, his unceasing effort for the success of the Naval Limitations Conferences his exposure of the jingo propaganda which once threatened the Geneva effort, his work for the universal acceptance of the doctrine of nonaggression, and his efforts to advance the entire limitation program—all these are testimony to his sincere devotion to the cause of peace.

("EXHIBIT No. 935" appears in text on p. 2426.)

("EXHIBIT No. 936" appears in text on p. 2433.)

EXHIBIT No. 937

[File MS-80-A]

* 135 Ms-8

DU PONT-NOBEL RELATIONS REGARDING MILITARY SALES

Attached hereto is memorandum on "du Pont-Nobel cooperation, sales of military propellant powders and explosives", which is the present agreement between the du Pont Company and the Nobel interests concerning military sales to governments other than the United States and Great Britain.

A brief summary on how it came into being is timely. For some years past an accord has existed regarding foreign sales of commercial explosives, but all documents covering this accord specifically excepted military sales, as, for example, that of January 1, 1920.

This was largely due to the fact that du Pont felt that any accord on military sales would tend to disturb their relations with the United States Government, which relations had been carefully cultivated for over a century.

How Nobel felt in this regard is not known to us, but probably the Cordite factories at Waltham Abbey, Holton Heath, and Auruvankadu (India) occupy a relatively larger place in the British propellant supply than do the American equivalents, so that the relations of Nobel with the British Government are possibly not so intimate as du Pont's with the United States Government.

The military sales division of the du Pont Company is charged with sales to and contact with the U. S. War and Navy Departments, and our constant acquaintance with the officials of these Departments gives the members of the military sales division a knowledge of opinion in Washington that is never written and seldom spoken. It is the unanimous belief of the military sales division that any agreement on military sales with an alien firm will materially hurt our relations with the United States Government, if, indeed, such agreement will not eventually conflict with article XIV (d), ordnance contract.

"No contractor having in hand work of a military character which the Ordnance Department may designate as confidential shall permit any foreign officer or other foreigner not in the contractor's employ to visit portions of the plant where such work is in process, nor shall the contractor give to such person any specific information concerning such work without the authority of the Chief of Ordnance, nor shall any alien in the contractor's employ be engaged on or permitted to examine such parts of the work as the Ordnance Department may specifically designate as confidential."

Notwithstanding this belief, an agreement to cooperate with Nobel on military sales was signed in London in November 1925, whereby du Pont was given priority of sales on nitrocellulose powders and Nobel given priority on TNT and nitroglycerin powders. In general, this agreement was satisfactory, but since Nobel was to have some of the nitrocellulose business and had not perfected this type of powder or brought their manufacturing costs to a figure that could secure orders, it was not entirely satisfactory.

Closer cooperation was agreed on under date of October 14, 1926, whereby du Pont from their Paris office took charge of joint sales in northern and western Europe and Nobel from their Vienna office took charge of the Balkans. Italy was left to Nobel; no mention made of Spain or Portugal, which in effect left them to Nobel; Hungary not mentioned; and Germany left for future discussion.

The following has developed: On the 1,000-ton Polish order Nobel's quota would have been 300 tons, but the Polish Government declined to split the order, and, in general, it may be assumed that this attitude will be followed by other governments.

At a meeting held in London on October 11, 1927, it was stated by a Nobel representative that Ardeer must have orders for nitrocellulose powders in order to gain experience and keep the plant force employed, which indicates that the difficulties still exist in perfecting a nitrocellulose powder and producing it at a cost sufficiently low to compete with other firms.

Frankly stated, the military sales division did not and does not desire this alliance, as our technical developments and production costs permit us to secure sufficient European business in competition with any or all manufacturers, and we feel that any such alliance causes apprehension in Washington, which is detrimental to the interests of the du Pont Co.

This alliance further impedes our sales, since no government will allow an order to be filled from factories in two different countries, where with the greatest care and skill, differences in finished product must result.

Although it is a delicate matter to discuss, the political situation of Great Britain in regard to continental powers must be given consideration, and it is believed that an American firm will have sales advantages, due to the detached position of the United States in reference to European politics and political alliances.

We believe also that our European representative and his local agents will be more successful in negotiations with the various governments than will their Nobel associates.

To sum up, our objections to the existing Nobel agreement are:

The detrimental effect on du Pont relations with the United States Government.

The relative lack of nitrocellulose-powder development by Nobel and the relatively higher prices hamper sales.

The impossibility of du Pont aiding Nobel to develop nitrocellulose powders without conflicting with the United States Army contracts.

The impossibility of inducing foreign governments to permit orders to be filled partly from du Pont and partly from Nobel factories.

The relatively greater skill of du Pont representatives, agents, and technical men in securing European orders.

We consider this information confidential.

E. I. du Pont de Nemours & Co.,
By K. K. V. Casey,

Exhibit No. 938

[File MS-80-A]

16 Place Vendome, Paris,
November 16, 1927.

T-1012

Major K. K. V. Casey,
E. I. du Pont de Nemours & Co., Wilmington, Delaware.

(Cooperation with Nobel:)

Dear Sir: 1. In accordance with the decision of the meeting held between the principals of the du Pont Company and Nobel Industries, Limited, on the 29th day of July 1926, an agreement was drawn up on the date of October 20th, 1926, which resulted in a joint sales agreement by which the du Pont office in Paris was to supervise the sales of certain territories on behalf of both companies and the Nobel office in Vienna to supervise other territories on behalf of both companies.

2. In accordance with the minutes of the meeting of July 29th, 1926, Mr. A. G. Major and myself were delegated to draw up the detailed arrangement. As an actual matter of fact, when we drew up this arrangement, the following ideas were in our minds:

3. First, that there was no essential difference in the effort put upon sales between the du Pont Company and the Nobel Company.

4. Secondly, that the quality of the products of the two companies was equally sellable.

5. Thirdly, that the sale's prices were approximately the same.

6. We took this attitude because neither of us had had any comparative experience of a real nature to permit us to presume anything different.

7. However, we did understand that the matters might not work out exactly as we foresaw and that there might be some possible developments along this line, and therefore we put in a paragraph which said:

8. "It is recognized that in actual practice the quotas may not be adhered to, and it is therefore suggested to the du Pont and Nobel management that, at the end of each year adjustment shall be made for services rendered in the event of one party obtaining an over-quota by the payment of some agreed amount per unit of oversales."

9. Furthermore, it was provided: "When occasion demands Colonel Taylor is to be provided with technical assistance from Nobel necessitated by enquiries from his territory, whilst reciprocally Mr. Smith may call for technical assistance from Colonel Taylor where necessary."

10. Furthermore: "Government objection or prohibition shall be a valid excuse on the part of either of the parties hereto to decline to make disclosure of information pertaining to products within the scope of this arrangement."

11. And furthermore: "It is agreed that this arrangement shall not entail the exchange of costs."

12. We have now been working under this agreement for a year and the situation has developed as follows: In endeavoring to sell Nobel goods in my territory there has not been any great difficulty in deciding in a reasonable manner as to which company shall bid on enquiry from any certain country and therefore on the basis of meeting the allocation mentioned in the contract, there seemed to be no great problem to be expected, as circumstances appear to dictate that in certain countries it is easier to sell Nobel material, due to political and psychological reasons, and in other countries it is more easy to sell du Pont material. Therefore, it first appeared as if the agreement would work out exactly as intended, but unfortunately political and psychological reasons are not the only things that sell powder, and therefore other considerations have come in, unforseen at the time the agreement was made and which may lead to certain complications.

These are: First, that Nobel cannot sell as cheaply as du Pont.

13. Secondly, that du Pont disposes of a greater history of experimental work, which permits them to offer a greater variety of solutions of the problems presented than Nobel, and above all, permits them to answer these requirements more rapidly and with greater assurance of success.

14. Therefore, one of my first studies in undertaking this sales' supervision for Nobel's was to try to improve their situation by giving them more complete information about the requirements than they had before, by getting their technical men in closer touch with the customer, by putting pressure on them to increase their experimental and research activities, which has been received with a mixed reaction:

15. On one hand they resent rather strongly any criticism of their products, and on the other hand they are pleased to be put in closer contact with the problems.

16. It has also occasionally happened that where we have offered Nobel material we have lost the order, whereas we might have had a better chance of getting it if we had offered du Pont material. In each of these cases, however, it was a question of price, not of quality. It is not, however, beyond the possibilities that Nobel would be willing to sell at the same prices as du Pont and hence correct this difficulty, so at the moment of writing this there appears to be no obstacles that cannot be corrected in time.

17. However, it is now very easy to project oneself into the future and foresee that certain more serious difficulties are about to arise. These difficulties are about to develop in specific cases:

18. The first case is the question of Poland: We are looking forward to considerable business from Poland and hoping that it will come in the form of additional quantities to the present contract, which, if it takes place, would obligate us, under the agreement, to endeavour to pass a certain quantity of this contract to Nobel, specifically 300 tons of powder. It is evident to me, however, that without our assistance Nobel can not manufacture in accordance with the specifications, and we will either have to show Nobel how to manufacture this powder by sending men to Ardeer or we will have to take Nobel's men to America to work them in on this matter.

19. The second case is the question in Belgium, where, for every commercial reason, it would appear reasonable to place the business expected from the Fabrique Nationale on Nobel's, and where Nobel is about to undertake studies to meet the requirements. In this case, unless I give Nobel's the results of the studies made by us for the Fabrique Nationale and give them certain assistance, which knowledge I have acquired through efforts of the du Pont Company, they will have trouble in meeting these requirements.

20. Thirdly, in the question of powder for the 13.2 mm Hotchkiss machine gun, the question comes up why should they not furnish powder to Kynoch, if they can make it, as Kynoch is their own factory, and here again, in order to enable Ardeer to make this powder, we will eventually have to give them some assistance.

21. Fourthly, if it would be possible to continue without giving Nobel any direct assistance in manufacture from Wilmington's personnel, in any case I shall have to give them, in order to sell their goods properly, a great deal of information regarding customers' desires, methods, and results, which has been acquired by me through working for the Du Pont Company and which is, therefore, the property of du Pont.

22. I can also foresee another complication: The experiences of the war have caused a very considerable change in the requirements demanded of powders, and Europe holds a quantity of unsolved problems. Of all the powder manufacturers, the Du Pont Company is at present the most capable of solving those problems. This is being realized in Europe, and in the near future we are going to get our principal business presented to us along the following lines:

23. A country will say to us: "We have now adopted new guns and small arms, but we are not satisfied with the powder solution for this problem as presented by local factories. We will place a large order for powder with you, provided you solve the problem and then show our local people how to make the powder. We must necessarily have you to show our local people how to make it, as it is not possible for us to be dependent on our powder supply entirely from a foreign country; and therefore we cannot buy the powder from you, nor use your solution of the problem, unless it is a solution which we can eventually produce ourselves."

24. The problem will be presented in the above manner, and Du Pont is in a position to make considerable money by solving it in the above manner. It appears to me that we have the technical experience to allow us to solve such problems and that we can in most cases show how to make the particular powder for the particular problem which they put up to us, without disclosing matters of great secrecy, not losing our lead in experimental work; in fact, the stimulus of solving these problems will increase our technical advance.

25. This appears to me to be the immediate future of our work, and the present agreement which we have with Nobel is not adapted to this problem. I take it that under the present relations with Nobel we are obligated to show them anything we show to a continental country, and that we are obligated to place a part of these orders with them if possible; and, if this is not possible, we are obligated to share profits with them.

26. Suppose that the Paris office should be called upon to negotiate a contract along the above lines. Should I present the problem to both the Du Pont Company and the Nobel Company at the same time, secure a duplicate set of information and components, have both factories study the problem independently, and have them compete with each other for a technical solution?

27. If this is to be done, the Paris office of the Du Pont Company, being the organ of transmission of information and questions, is bound to acquire through this activity an intimate knowledge of the working of the two parties; it will be almost impossible for the Paris office to decide which information belongs to which company and whether it is to be transmitted to one and not to the other. Furthermore, as experiments would go along, it is inevitable that one company would succeed and the other fail, and that the second time a situation like that

arose the weaker company would insist upon the other giving them the advantages of their experience, and immediately a very acute development of the problem on the exchange of information would arise.

28. If I gave all the problems to the du Pont Company and none to the Nobel Company, there would be a legitimate objection. If I should give one problem to one company and one problem to the other, there would be a legitimate question as to my judgment as to which company I allocated the problem to.

29. Therefore, in the development of our relationship with Nobel, the following questions will come up:

* No. First, is the Paris office justified, in its efforts to sell Nobel goods, in giving Nobel the results of all the experience which it has acquired as representative of du Pont?

30. Is the Paris office justified in deciding that a certain order should be placed with du Pont or Nobel, if the decision is to be made based on the ability of the given company to manufacture in accordance with the requirements of the problems?

31. Is the Paris office justified in negotiating a contract which requires the study of a new technical problem?

32. If so, is the Paris office justified in saying that du Pont will take this problem because they can do it, and Nobel will not take up this problem because they cannot do it?

33. Can the Paris office negotiate a contract for du Pont with a provision for giving the purchaser certain knowledge regarding the manufacture of powder, first offering this knowledge to Nobel, or without consulting Nobel?

34. Is it correct, in order to avoid the development of the above type of problem, that the Paris office should abandon business where the question of a technical study is involved and confine itself to simply selling what might be described as the current manufacture of the two companies?

35. I foresee that, within six months, every one of the above questions will come up and it appears to me that there is no provision for the solution of these questions in the contract under which the Paris office is working, and it appears evident that the Paris office is not competent to decide the above questions, and if the Paris office has no direction along which to work in view of the above, our business is going to be a great deal interfered with.

36. As these questions will surely come up, it appears to me that they should be foreseen and an agreement made with Nobel before the occasion arises, otherwise the Paris office will find itself in the position of taking responsibility of action on what are general company problems. I thing the Paris office should be given specific instructions as to its action in these cases.

37. To possibly enlighten the discussion, I would like to give the following personal opinion: Our future business will probably be, in every case, in the form of a solution to a new ballistic problem and the business of selling what might be called the current production of the two companies is practically over, and as the agreement of the 20th of October 1926 was based upon the idea that the sales would be of current products, it seems to me that this agreement will no longer cover the situation. I further believe that the volume of business will be inevitably tied up with the obligation to teach the European customers how to produce, in their own country, the powder resulting from the solution of the problem.

38. I further believe that it will be impossible from a sales point of view to successfully conduct the negotiations with du Pont and Nobel competing between themselves. I also believe that the number of cases in which du Pont will find a solution will be greater than the number of cases in which Nobel will find a solution, but the technical knowledge of the Paris office is not sufficient for the Paris office to decide which company should study which problem.

39. I further believe that the organization of the du Pont Company permits us to work along these lines and that our state of technical development would permit us to give a certain knowledge to the European factories without harm to ourselves, but that the state of development of the Nobel organization renders the solution of such problems much more difficult, longer, and less likely of success. The Paris office has not an intimate knowledge of the Nobel organization nor the possibilities of cooperation that it has with du Pont.

40. Of the possible solutions, one would be a division of territories, certain territories to be only for du Pont to be free to do as they wish and other

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* Pencil marking.

territories to be for Nobel to be free to do as they wish. This solution has disadvantages, as it means restricting du Pont's activities on the Continent and also restricting Nobel's activities. The dissolution of our sales agreement of October 20th, 1926, would certainly cause very active competition and probably bad feeling in the relations between the two companies.

41. Giving the whole problem to du Pont on a profit-sharing basis with Nobel would probably not be accepted by them as satisfactory, although from the sales point of view, it would be the most workable.

42. I see no happy solution of this question, but I am clear that these problems will, in a very short time, become acute, and I hereby request instructions.

Very truly yours,

(S) William N. Taylor.

WNTRB/

Exhibit No. 939

[File MS-80-A. 135. MS-8. MS-208. D-1307]

January 10, 1928.

Col. W. N. Taylor,
16 Place Vendome, Paris, France.

Dear Sir: 1. Your letter T-1012, cooperation with Nobel. This letter contains reasons set forth in 42 paragraphs why cooperation with Nobel is not feasible. In replying to the various questions asked by you, we think that you are reading in the Nobel-du Pont agreement things which are not mentioned. The agreement was one of cooperation on matters of sales in European territory. If you limit your efforts for Nobel entirely to sales, we think your troubles would be few, but when you attempt to tell Nobel they are right or wrong on the quality of their products, or the necessity for Nobel to do development work in order to place themselves in position to successfully compete on military powder business, you naturally place Nobel on the defensive and they in turn seek to acquire from us the results of our development work.

2. We feel that the Paris office should pass on to Nobel Company all inquiries for military powder and obtain from Nobel their minimum sales prices. It is our idea that the Paris office should function with Nobel in the same manner that you function with Wilmington on sales. Paris does not wire or write to Wilmington and tell us to do development work or research work before quoting prices on military powder. We do the development work long before quoting prices, and if Nobel does not see fit to follow such a procedure, perhaps they can achieve success along other lines. You should not consider that you personally are responsible for the quality of powder manufactured by Nobel. This is only true when we take a European order and allocate Nobel a portion of the powder for manufacture. In such a case the contract would be with the du Pont Company, regardless of where the powder might be manufactured, and the du Pont Company would be the loser in the event the product was not in accordance with the specifications. If the Paris office should submit prices on powder for Nobel and prices for du Pont on the same prospect, assuming that prices were exactly the same, the choice of placing the order would be entirely with the customer, and if you are unbiased in the matter, you would make no effort to take the business for du Pont or Nobel. The question of allocation can never be settled by you nor by us, as it is a matter which the purchaser must decide, and Nobel and du Pont have to be satisfied with that decision. Our experience in Poland has taught us that it is impracticable to assume that a large order can be divided on some agreed to basis between Nobel and du Pont.

3. As long as you continue to function with Nobel on the basis of keeping them advised as to whether their product is good, poor, or indifferent, you will find trouble for yourself and us. You will recall when the writer was in London that you cautioned Nobel how necessary it was to manufacture experimental samples and to pay strict attention to various items in the manufacture of nitrocellulose powder in order that they would be in a position to manufacture a product of quality. The writer took the position that the specifications would

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* Pencil markings.

give the Nobel company what the customer desired in the way of quality, and that it was not the business of the salesman to take the responsibility of stressing certain features of the specifications. Further, that the pecifications were drawn up so that the manufacturer would know full well what the purchaser desired in the way of quality and the acceptance of the specifications by the contractor meant that he was fully aware of his obligations, and in quoting on a prospect, did so with the idea that he could fulfill the specifications 100%. This is the basis on which the Paris office functions with Wilmington and should be the procedure between Paris and London.

4. We do not intend to furnish technical information to Nobel on any rifle or cannon powder which we have in the past made up or may make up for European governments. The sole exception to this is in the case of Poland, where we have promised and are willing to show the Nobel representative the manufacture of rifle and cannon powder on the Polish contract.

5. Would it not be a good plan for you to announce to Nobel that from this date on you are concerned only with their prices on powder on prospects where you intend quoting for Nobel; that on all prospects you contemplate submitting prices for Nobel-du Pont and would like our prices to be exactly the same? At the end of the year it is up to the officials of Nobel and du Pont to get together and make an allocation which will be satisfactory to all concerned. We feel that you are quite satisfied that you are in no position to make the allocation in question before bidding on a prospect, and if this is true, why not try to get the business for either Nobel or du Pont by an impartial method of quoting exactly the same price for the product of both concerns? This plan will undoubtedly lessen your troubles with Nobel.

6. Of course, we shall discuss the Nobel agreement with Sir Henry MacGowan or other Nobel officials when they visit Wilmington in the near future. We believe that our discussion will result in a working plan very similar to that outlined in this letter, as we feel it is the only satisfactory solution to the numerous questions set forth in your letter T–1012.

7. Before replying to this, may we suggest that you await the arrival of Mr. Singer, who has on numerous occasions discussed the Nobel agreement with us, and he undoubtedly can furnish you with details and reasons for the conclusion drawn above.

8. Your letter T–1012 certainly tells the story of the Nobel-du Pont military sales cooperation. We are glad that you wrote us in detail and gave us your very complete thoughts on all the items which have been and will continue to cause you discomfort and trouble. You may be sure that we will make an earnest effort to revise the agreement so that your work with Nobel in the future will be a pleasant task. This cannot be done as easily as it can be written, but if you will do your part, as suggested in this letter, we will do our utmost to bring about a satisfactory change.

Very truly yours,

W. H. O'Gorman, *Asst. Director.*

WHO'G/h.

Exhibit No. 940

[ICI—Military Powers. D–1378]

March 10, 1928.

Conference with Nobel officials.

Col. W. N. Taylor,
16 Place Vendome, Paris, France.

Dear Sir: On March 9th, a conference took place between Nobel and du Pont officials on matters appertaining to sales of military products of both companies. We have not as yet been furnished with a copy of the minutes of the conference, but the following as reported by Major Casey is a summary of recommendations:

(*a*) A 10-year agreement between Nobel and du Pont covering military sales in Europe be entered into as more or less of a continuation of the 1925 agreement.

(*b*) It was explained to Nobel that our Paris office is not in a position to furnish technical information, and therefore all technical problems should be referred to Wilmington. We offered Nobel our facilities at Brandywine Laboratory for the development of nitrocellulose rifle powders for British Army cartridges. We suggested that Brandywine would welcome visits of Nobel technical men, and we would undertake to develop nitrocellulose rifle powders to fulfill the British requirements, provided Nobel would furnish us with guns and components to be used in ballistic tests. The development would then be turned over to Nobel and, if necessary, we would send a man to Ardeer to assist in the manufacture of nitrocellulose rifle powder for the British Government. All technical information passed on to Nobel would be on the basis of Nobel agreeing to consider same as confidential, and under no condition divulge it to subsidiary or other companies in which Nobel may have part ownership of some other interest.

(*c*) We advocated that the sale in South America of military products of both du Pont and Nobel be under the jurisdiction of du Pont, Wilmington.

(*d*) We recommended that our Paris office have complete charge of all European powder sales for Nobel and du Pont, and that the Vienna office of Nobel function under our Paris office.

Mr. Mitchell was not prepared to make a decision in this connection as he was without details and felt that the present arrangement functioned satisfactorily. He stated that upon his return to London he would communicate with Colonel Taylor for the purpose of having a conference in order to determine whether the recommended arrangement would be best for all concerned.

2. Attached is memorandum which the writer prepared for the above-mentioned conference, and which may be of service to you when you talk with Mr. Mitchell.

3. We believe it is generally admitted among the Nobel executives that our military-sales organization is better equipped to handle foreign sales than is Nobel. It is with this thought that we recommended that all European sales for both companies be handled through the Paris office. Mr. Mitchell no doubt desires to discuss this subject with Nobel London before he confers with you. It would therefore seem wise for you to prepare a memorandum showing the advantages which may be gained through the adoption of our recommendation, and also to point out specific cases where business has been taken by competitors because of the lack of unity of action on the part of du Pont and Nobel.

4. From your cable #638 it appears that you can cite your present negotiations in Poland as an example of what both companies may lose through lack of unity of action.

Very truly yours,

W. H. O'Gorman, *Asst. Director.*

WHO(G:N

Exhibit No. 941

[File: MS-80-A. D-1284]

December 12, 1927.

Col. W. N. Taylor,
16 Place Vendome, Paris, France.

Dear Sir: Your letter T-1009—France—13.2 m/m Hotchkiss.

We appreciate that the adoption of the Hotchkiss 13.2 gun by France will undoubtedly bring about an embarrassing situation for the French Powder Service. It must be fairly well known among the French that we have during the past two years manufactured a satisfactory powder for this gun. We, of course, are perfectly willing to furnish France with her requirements of this powder but see absolutely no reason why we should even think about making arrangements for the manufacture of the powder in France or by the French Powder Service. Having in mind our conversation in Paris concerning the possibility of France adopting a multiperforated type of grain for larger guns, it seems reasonable that immediately after the cannon-powder samples will have been tested, you will have an opportunity of discussing in general the smokeless-powder situation with French War Department officials. At that time you undoubtedly can bring into the discussion the subject of powder for the 13.2 gun and offer to supply a trial lot of ten tons. It is logical to expect that the French War Department might purchase a trial lot even though it has been stated that the French Powder Service can produce a satisfactory propellent for the 13.2 gun.

The proposition of giving or selling to France technical information which might permit the French Powder Service to manufacture 13.2 powder and perhaps powder of the multiperforated type is one which depends largely on whether France might be willing to contract with us for a specific percentage of her annual requirements of smokeless powder. We know of no way by which a valuation could be placed upon technical assistance or information which we might furnish to the French Power Service. Therefore, it seems to us that it is a question of how many pounds of powder we can sell to France over a period of years in return for our technical assistance on the manufacture of nitrocellulose-smokeless powder. Of course, if we enter into any agreement with the French Powder Service, it would be on the basis of that service furnishing the powder to France and France only. We would not permit them to manufacture our type of powder for any other foreign government.

The matter of furnishing technical assistance to foreign governments or foreign plants is one which comes up quite often. In general, our policy is not to answer the question until we have some indication as to whether the giving of technical assistance will result in a large order or orders. If it is necessary to answer the question as to the giving of technical assistance before any information can be had as to whether the foreign government will agree to give us a percentage of its powder requirements over a period of years, we think our position should be as follows:

The du Pont Company will furnish technical assistance on powder manufacture, providing we can be guaranteed orders for a definite quantity of powder per annum over a period of ten years. Of course, our decision will be based upon the quantity of powder which we will be permitted to manufacture for the customer over the specified period.

Very truly yours, W. H. O'Gorman, *Asst. Director.*

WHO'G/h.

("Exhibit No. 942" appears in text on p. 2450.)

Exhibit No. 943

[File: MS-80-A]

MEETING HELD AT NOBEL HOUSE ON 9TH NOVEMBER 1925

Present: Mr. Irénée du Pont, Major K. K. V. Casey, Colonel W. N. Taylor, Mr. A. G. Major.

The discussion evidenced that the du Pont representatives accept our theory that eventually: (1) European countries will be selfsupplying and/or (2) draw their supplies from countries more logically situated (geographically) than the U.S.A., and that jointly du Pont and ourselves should adopt the policy of affording technical assistance to European countries wishing to erect factories in return for a fee and the guarantee of powder orders to us during the erection period.

Colonel Taylor suggested that Nobel's are more interested in having a financial interest in such propellant factories and taking their profits that way rather than through the supply of powder. He also expressed the view that we were not so free to collaborate with du Pont to the extent that might be necessary on account of our commitments in other directions.

It was pointed out that so far we had only gone in for industrial explosives in this connection and our policy had been to avoid the propellant powder side, except where we were forced to adopt it, e.g., the Czechoslovakian Explosives Company. If, however, we were forced to enter the propellants field, we adopted the plan as outlined above by Colonel Taylor.

Both Major Casey and Colonel Taylor put forward for consideration the principle of N.G. powders for Nobel and N.C. powders for du Pont. In answer to this it was explained that this was not a proposition we could put up to our management as it seemed to us inequitable—any cooperation should be based on a proper division of the required supplies.

A discussion followed concerning the extension of the Greek Powder Company's plant to enable them to execute their contracts with their own government, and it was agreed to find a basis for joint working (this of course has since been effected).

A general talk ensued on the formation of a pool in Europe embracing Nobel, du Pont, Bofors, and the Czechoslovak Company, but no decision was reached.

3rd January 1928.

EXHIBIT No. 944

[File MS-80-A; MS-124]

[D-2076]

Prospects of future sales. MAY 21, 1930.

Colonel W. N. TAYLOR,
16 Place Vendome, Paris, France.

DEAR SIR: In your letters T-1862 and 1893 you summarized, in a general way, prospects of sale to various European countries. In paragraph three of your letter you enumerated various conditions under items "a" to "h", inclusive, and in paragraph four you made two remmendations under captions "a" and "b."

Your recommendations need no approval from this office as similar projects have come up for discussion many times during the last five years, and on each occasion we have approved the plan which you suggested.

We are willing to sell our "Know How" providing by so doing we will make additional sales of smokeless powder. One basis on which to trade is for the firm to which we give the "Know How" to divide its smokeless powder business over the next ten-year period on a basis which would justify our giving to that concern or government the "Know How" and technical assistance on powder making. This, in general, has been our policy and it can only be formulated into a specific proposition in cases where we are fully aware of conditions in connection with the government factory or privately owned concern in Europe which may be producing powder for its government.

If we are to succeed in making sales of military powders abroad, we undoubtedly have to make connection with European government factories or powder companies in such countries that do not have government powder factories.

Orders in Europe are few and far between and, at the present time, it cannot be said that our prospects are good other than on the sale of FNH powder to the Polish Government. It seems as though we should start at once to see what connections we can make and under what conditions we might be able to make a tie-up with factories in Europe. What we do in this connection depends mostly upon you and we expect to hear from you more specifically on the Coopal factory and also on the Muiden factory in Holland.

Very truly yours,

W. H. O'GORMAN, *Asst. Director.*

WHO'G: MH

("EXHIBIT No. 945" appears in text on p. 2455.)

("EXHIBIT No. 946" appears in text on p. 2456.)

EXHIBIT No. 947

[File MS-100-B]

Memo. for file.

REPORT No. 38-H, APRIL 29, 1924

WASHINGTON. *April 28, 1924.*

I. ORDNANCE DEPT.

Left Aberdeen Proving Ground at 11 a. m. in order to be certain of getting in touch with Gen. Ruggles before he left for the afternoon. Met Major J. K. Crain in the hallway just outside of Gen. Ruggles' office, who greeted me with a statement that I had come to find out if the Ordnance Dept. would sanction the du Pont Co. assisting the Polish Govt. in the manufacture of "IMR" powder, and this was based on cablegram from the European military attaché's office in Paris. I advised that his question was apparently based on incomplete information, giving a misconception of the situation. I showed Major Crain our letter of April 26th addressed to the Chief of Ordnance, and proposed that we discuss the subject with Gen. Ruggles in detail. There was not time to do this very thoroughly with Gen. Ruggles because of pending engagement of his in Col.

Ferguson's office to discuss "Muscle Shoals." However, discussion was guided along lines that indicated to Gen. Ruggles that it was very desirable that the work be undertaken as they stood to profit by it. The flake rifle powder situation was emphasized, and apparent contradictions were cleared up. Even before seeing our letter, Gen. Ruggles had dictated an endorsement relating to the military attaché's cable, stating that it was vastly more important to encourage the du Pont Co. to continue in the manufacture of propellants for military use, than to endeavor to protect secrets relating to the manufacture. Major Crain dictated the letter of reply to us, based on instructions from Gen. Ruggles. There was no argument or hesitation in making the decision as to their attitude. Question did arise, however, as to the need of submitting this question to the Bureau of Ordnance of the Navy. I stated that I expected to see Capt. Hough, of the Division of Naval Intelligence, and would, as a matter of courtesy to the Navy Dept., mention the matter. Capt. Hough was absent from the office on account of illness, but the subject was discussed briefly with his assistant, Comdr. Galbraith, who had little comment to make, except that he would like copies of the correspondence, simply for record.

II. NAVY DEPT.

(*a*) *Division of Naval Intelligence.*—Discussed subject as noted above with Comdr. Galbraith, also the recent correspondence regarding Capt. Sugimato's letter, and Japanese visitors. No difference of opinion developed during this discussion.

(*b*) *Bureau of Ordnance.*—Made further detailed arrangements with Comdr. Courts regarding tests of "Pyralin Containers", for 5″ 51 cal. powder charges, to be made at Dahlgren Proving Ground on May 2d.

Subject of safety and fire inspection of the Naval Depot at Lake Denmark, following similar inspection of Picatinny Arsenal, was mentioned, and Comdr. Courts took this subject up with Admiral Bloch. The latter concluded that it was not advisable to have such inspection made because there were no funds available to correct known defective conditions.

C. I. B. HENNING,
(s) C. I. B. H.

CIBH : N

EXHIBIT NO. 948

[File 99–12–2]

NOVEMBER 10, 1933.

du Pont-I. C. I. patents and processes agreement.

Mr. W. R. SWINT,
Director Foreign Relations Department:

In answer to the questions contained in your letter of November 2d:

1. We have received no valuable assistance from I. C. I. on new products or new processes but have had valuable assistance along the line of improvements in existing processes in two instances: (a) In the process for refining TNT, and (b) the complete process for manufacturing tetryl. Up until recently we have received very few suggestions or ideas for new lines of research or new approaches to existing research problems. Over the past few years there has been a definite improvement in the practical nature of the work carried out by I. C. I. as affecting explosives. The commercial attitude seems to have been inserted more and more, and, at the present time, there is one problem on which they are working which has stimulated thoughts along the same lines in our minds, namely, the development of a practical method for providing safety sheaths for explosives to be used in coal mines. Up until the present time our connections with I. C. I. have been chiefly of value in reference to improvement in existing processes, and have been of very minor importance in connection with new products or new processes. There is no question but that the information received from I. C. I. has been of a valuable nature, and the situation in this respect seems to be improving as time goes on.

C. A. WOODBURY, *Director.*

CAW : MKB

The above is an excerpt of letter to Mr. W. R. Swint, as shown in first paragraph.

Exhibit No. 948½

56 rue de Vaugirard,
Paris, 6e.,
October 10, 1922.

T–37.
Sales in the Balkans.

Mr. K. K. V. Casey,
E. I. du Pont de Nemours, Wilmington, Del.

In the Balkans I ran across a situation so entirely different from anything we have in America that I am writing this in addition to my letter no. 36 to try to give you a picture of the situation there.

We want to sell powder in the Balkans and powder can be sold to the Balkans but the method of straight selling for what they need and getting paid for it will not work. If you draw a line from Trieste to Warsaw and go east of that line, you find the business and financial conditions run on a set of rules entirely their own, and if we can't conform to the situation we won't be able to get any business. There the ordinary business ethics are entirely different from ours and people have no knowledge of ours, they don't know what our business ethics mean. Their financial methods and the methods of raising money from their governments are also entirely different from ours.

In the first place, the country is constituted of a great mass of peasants who work in the fields and cannot read nor write. Until comparatively recently the governments were absolute monarchies run by a group of people around the monarch who, by every means which they could imagine, extracted money from the peasants without any idea of what we might call a national instinct or any idea of being fair or doing good to the peasant—on the contrary! Generally in these countries are several groups of such people and all political agitation is simply a fight between these different groups to get their hands on the spoils. The great western European powers have attempted to force upon these people the western ideas of government and ethics and the result has been merely a complication of their primitive methods. They begin by collecting all the taxes they can, then they purchase things for the government and all of them collect all the graft they can in every way out of these purchases. They don't much care what they pay so long as they get the graft, which is their main object. Internal politics consist of disputing over the graft—external politics consist in developing complications which permit them to spend or collect more government money. The idea of doing anything for the good of the country has never been translated into their language.

For instance, the idea of issuing an internal government loan, selling it to the people, has never occurred to them and could not be done. When they want an internal loan they get together the rich merchants and Jews and say, "You will lend the government some money or we put you in jail; if you do lend the government money, we will let you in on the profits for 15 or 20 percent." A merchant is successful when he knows how to distribute the graft and get away with part of the profits.

If you do down to that country with something to sell and expect to find fair competition on prices and quality, you will be very much deceived—there is no such thing. People who traded the most with those countries and are most successful are the English and Germans. How do they do it? Let us take Vickers for an example. It is impossible for Vickers, with their British stockholders and their English business ethics, to play this game directly. So they use the intermediary of a man like Sir Basil Zaharoff, who is the most important of his class, who acts about as follows: He gets a price from Vickers with a discount of 40 or 50 percent. He goes to the country and he says, "You need so much material. I'll provide you with this whole lot and give you so much graft and I'll lend you the money to buy it with." Then he will go to a local banker or merchant and he'll say this, "We will make a loan through Mr. So-and-So to the government and this loan will bring you a very large interest and we will give so much commission to the Minister of Finance", and he'll promise to collect enough taxes to pay this loan and he does not get the commission until the loan is paid back. He gets his money from these various people. The government pays Vickers the full amount less the discount which goes to some intermediary. In time the government collects taxes, pays back the people who made the loan, and all the people in the game pocket the profits. He has now made an arrangement of this type for refilling the Greek Army. If we want to sell down there we will have to do somewhat the same thing. We will have to go to the government and say "We can furnish you with a variety of materials, large orders, which will make a big enough sum to be interesting. We will cover fixed ammunition, powder, rifles, and cannons, shoes, uniforms, etc., and we will help to arrange a loan to permit you to pay for this." We can then go to a local bank and say "Now you want to arrange a loan to the government to pay for this material on which you will get a large percentage." This bank will get up a private loan, promising large interests to the subscribers, subject to a purchase of material to our combination.

In order to work this we must work through an American bank who will act as an intermediary between us and the local bank and must be able to do its share in raising the loan among the rich nationals of the country to which we sell, who are residents in America. If we could find a bank who knew how to do this we should get up an expedition to go to those countries, consisting of representatives of the bank, technical men from the Bethlehem Steel, a small-arms company, an ammunition company, and sit on the job until we could negotiate.

The most difficult problem in America would be to find a bank accustomed to this kind of operations. There are a great many such banks in England, particularly the Anglo-Persian Bank, who does nothing else, but I doubt if we can count on the English banks to be interested in the purchase of material from America. The American bankers are not accustomed to this type of operation in the Balkan countries. I had a little talk with the Morgan people in Paris and they say they have no relations in those countries and that while such operations are done they are not organized to work in the Balkans. The Guaranty Trust Co. people think they might be able to do something with regard to Greece but they both say that they think that it should be done through a Jewish bank.

Any attempt to organize this by having an issue of the local Government bonds to be sold in America on the open market, is utterly impossible. If we want this business bad enough we could take the Government notes ourselves and we could arrange to have enough commission on the sales to be distributed to the right people and to be paid to the officials only after the Government has met his obligations to us, this commission being a sort of insurance on being paid. If we could do it ourselves we would save considerable money on commissions and would make our prices more reasonable and less open to public criticism. I think if we could take the Government notes in payment for the offer of a combined lot of materials to about $1,500,000 for Serbia and about $3,000,000 for Greece and would allow enough percentage to be distributed and get hold of a fairly trustworthy distributor, we could do considerable business in these countries. Otherwise I think our only chance of doing business is to sell a little powder to the people who are operating in that manner, which would mean instead of working in those countries attempting to sell to a Franco-Tchec group "Skoda & Co." or to the British group around Vickers.

Selling a combined lot of ordnance and taking in hand the creation of a loan would have the best chance of success; sales to Vickers or Schneider have the second best chance of succeeding, and an attempt to sell powder directly to these Governments the least chance of succeeding.

I know this sounds like a story from the Arabian Nights and will probably be digested with difficulty at Wilmington, but it is as clear an exposure of the situation in the Balkans as I am able to make. Please think this over and tell me which line you wish me to pursue. If you don't feel like going into a loan of this kind, and don't know any bankers who would undertake it, it is possible that our best mode of operation would be this: That our agents in these countries do the best they can toward little sales and have me put my time on the big munition companies in the western European countries. So far I have put all my efforts on straight selling to these countries and I expect to get some results but I don't believe that that method is going to bring us anything very big. I think, from what I saw in the Orient, that there are very great chances in favor of a war in the Near East. And one must include the Balkans as being part of the Near East. Those savage people don't know how to live without war and robberies. They have in the past been helped in a certain line of good conduct by fear of the military action of the great powers. Before the Anglo-Turkish incident there was still in the Orient a great fear of the eastern powers but the fact that both the French and the English refused to fight Kemal and are going to permit him to enter

Europe, has given a tremendous blow to the European prestige in that part of the country. All the people are absolutely astonished. I saw Turks, Bulgarians, Greeks, and Serbians, and with one accord they say that the great powers are done for, that they are afraid to fight and add "we don't have to obey them any more."

To maintain European prestige in those countries there was nothing to do but fight the Turks but as neither the French nor the British Governments felt it possible to ask their people to go to war, they simply have had to accept a tremendous moral defeat. The result will be that all those Near-Eastern people will feel that the time has come to throw off the government of the great powers and if it does not lead to one enormous war it will lead to a great number of small ones.

If we want to sell military powder to these people we have got to hit on the proper plan and get busy in a concentrated way. All these people will probably buy fixed ammunition and it looks to me as if a powder factory had a fairly small chance of selling directly to these countries. But the sales to these countries should be made by the big munition people and perhaps our best plan is to concentrate all our efforts on these munition firms.

Please give me a directive.

(s) WILLIAM N. TAYLOR.

WNT/Mg.

("EXHIBIT NO. 949" appears in text on p. 2489.)

EXHIBIT NO. 950

[File MS-80-A]

FEBRUARY 3, 1928.

Personal.

Col. W. N. TAYLOR,
16 Place Vendome, Paris, France.

DEAR TAYLOR: In reply to your private and confidential letter of January 18, 1928, designated "Letter A", I cabled you a reply as per my telegram no. 588, confirmation of which is attached.

We will pay a cash discount of 2% at the signing of the contract, understanding that the 2% so paid is part of the regular 7% commission. Our payment, however, is predicated upon Polish payments for the 300 tons of powder being satisfactory to us and, of course, the price at which the powder is sold likewise being satisfactory.

You may be sure in the event that you conclude a deal along the lines indicated in your letter of January 18th that I will promptly remit by cable the amount involved to pay the 2% commission, so that there will be no delay.

With kindest regards and wishing the best of luck, I am,

Sincerely yours,

W. H. O'GORMAN, *Asst. Director.*

WHO'G/h.

EXHIBIT NO. 951

[144—Polish Government, MS-80-A]

JULY 3, 1928.

D-1552.

Col. W. N. TAYLOR,
16 Place Vendome, Paris, France.

DEAR SIR: We acknowledge receipt of your cable no. 678 and confirm our reply no. 571, copies of both are attached.

1. The news that you had actually begun negotiations on a new contract with Poland covering the sale of 1,200 tons of short-barrel rifle powder, was indeed gratifying. It is noted that your negotiations may be concluded within the next two months and that the conditions will be the same as the last contract.

2. Because of price cutting on smokeless powder by competitors, you ask us to name the lowest price at which powder referred to above could be sold to

Poland. In our telegram 571, we advise that our lowest price would be 75¢ per pound f.o.b. our plant. Based on this price if the agent is to be paid a 7% commission, he would receive 5¼¢ per pound on our f.o.b. price. We assume that the freight and insurance charges would amount to 2¢ per pound so that the total c.i.f. price, including everything, would be 82¼¢ and we authorize you to name this price if conditions so warrant.

3. In regard to advance of 2% on agent's commission on new order, this matter can be handled exactly the same as we did on the 1,000-ton contract so that the money will be available upon receipt of telegraphic advices from you. You may rely upon me to personally take care of this matter so that the funds will be placed to Mr. Klawe's credit within 48 hours after receipt of telegraphic advices from you.

4. If the above arrangement does not meet with Mr. Klawe's approval, we could arrange to make Mr. Klawe an advance against his commission on the present 1,000-ton contract. Personally, I do not think the advance should be made until you are absolutely certain that the new 1,200-ton contract will be signed. This, however, is a matter of bookkeeping within the du Pont Company and you may proceed on the basis that the amount involved will be available in cash either at the signing of the contract or just prior to the date that the contract is scheduled to be signed.

5. Under separate cover, I am writing you concerning new prices on smokeless powder.

Yours very truly,

W. H. O'Gorman, *Asst. Director.*

WHO'G : MHS

Exhibit No. 952

[144, Polish Gov't]

May 20, 1930.

Sale of aircraft finishes—Polish Government—Stefan Klawe.

Parlin Plant,
Industrial Finishes Division, Export Department,
(Attention J. H. Frechen.)

In reply to your letter of May 14th and confirming our telephone conversation on the above subject, we are glad to advise that Mr. Klawe has been agent for the Military Sales Division in Poland for the past six years, during which time he was successful in obtaining for us orders from the Polish Government for large quantities of smokeless powder. Some of the sales were made on a cash basis, others on credit extending over a year and a half and on the last contract, which was for 1,000 tons of powder, payments extended over a three-year period.

For your confidential information the total sales price of the 1,000 tons of smokeless powder amounted to $1,846,000. Poland agreed to pay this sum in twelve equal instalments, adding to each instalment a premium of 9% and interest at the rate of 6% annually. The Republic of Poland gave to us twelve treasury notes, note no. 1 being in the amount of approximately $168,000 and note no. 12 approximately $204,000. The other ten notes ranged in face value between these figures.

Mr. Klawe's commission on the above-mentioned contract was 7%, or approximately $126,000. Upon signing of the contract, even before we received the Polish notes, we made an advance payment of commission to Mr. Klawe of $30,000.

The Polish Government has met all of its obligations promptly and in a very satisfactory manner. We would have no hesitancy in extending credit to the Polish Government and, at the present time, we are negotiating for a larger contract than the one referred to above. The prospective contract will be along the same credit lines as the last.

In dealing with the Polish Government you are rather fortunate to have Mr. Klawe as agent, as he is a man who is very well connected and thoroughly understands what must be done in order to secure business. He is very trustworthy and I suggest that you follow his advices so far as the obtaining of Polish Government business is concerned.

In regard to the inspection of nitrocellulose dopes, the order would probably be too small to justify the Polish Government sending a representative to this country and you will therefore have to depend upon inspection in Warsaw or, if Klawe can arrange it, the writer feels that the U. S. Army would be glad to function as inspector for the Polish War Department. This is a matter which would have to be taken up by the Polish Legation in Washington through the State Department of the U. S. Government but the request would have to be initiated in Warsaw.

W. H. O'GORMAN, *Asst. Director.*

WHO'G:MH

("EXHIBIT NO. 953" appears in text on p. 2497.)

EXHIBIT NO. 954

DECEMBER 27, 1929.

CIRCULATION MANAGER,
Du Pont Magazine.

Dr. C. Y. Wang is a chemical engineer in charge of dyestuffs demonstration in our Shanghai office, but since Dr. Wang is also engaged in military sales work, the Du Pont Magazine would be of value to him, as he is in constant touch with Government officials.

Col. de Fremery is a Dutch officer working under contract with the Chinese Government as an advisor, but we do not wish the title "technical advisor" to appear in the address. The other men mentioned are all members of the so-called "technical section" or technical committee in the ordnance department of the Chinese Army, and it is essential that each one receive a copy of the magazine.

In the future we shall be mindful to follow your suggestions in keeping with the policies you have adopted, it being our desire to cooperate with you as much as possible.

W. H. O'GORMAN,
Assistant Director.

NEB/h

The above as per last three paragraphs of letter of above date to circulation manager.

("EXHIBIT NO. 955" appears in text on p. 2500.)

EXHIBIT NO. 956

[Copy]

Original noted by Major Casey and returned to dyestuffs department.

(S) J. C. G.*

PRIVATE AND CONFIDENTIAL

WILMINGTON, DELAWARE,
August 22, 1929.

[No. SW–PC–177, August 2, 1929
Rec'd: -------------------- M.S.: Military Explosives]

File 34—Chinese Gov't.

E. I. DU PONT DE NEMOURS & COMPANY,
Dyestuffs department, sales division.

This will acknowledge with thanks the receipt of your letters WS–PC–103, 105, 106, and 121, all of which make very interesting reading; 121 particularly is important inasmuch as it gives very complete information on the respective qualities of powders nos. 17, 17 special, 25, and 25½. It came at a most opportune moment as I am at present engaged in discussing a 30-ton powder contract with the Shanghai arsenal.

Proving ground: The matter is in order and will be used for bargaining.

Ballistic tests: No comments whatsoever are required; we now have the fullest data on hand. As a matter of interest, we might mention that 7.9

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* Pencil notation.

m/m pointed " S " bullets weighing 10 grams are used exclusively by the Chinese Army in a long-barrel rifle of Mauser type.

Cannon powder: A form letter was received from Nanking this morning signed by an official of the ministry of war, requesting offers on cannon powder on the following characteristics:

No. 1. 75 m/m 14 cal. mountain gun. Muzzle velocity, 280 meter seconds. Maximum pressure, 1,400 atmospheres. Weight of powder charge, 140 to 150 grams. Weight of projectile, 5.3 kilograms.

No. 2. 75 m/m 14 cal. field gun. Muzzle velocity, 510 meter seconds. Maximum pressure, 2,700 atmospheres. Weight of powder charge, 430 to 440 grams. Weight of projectile, 6 kilograms.

Your cable dated July 29th, advising that you were sending cannon powder together with the rifle powder, came in very handy and we are going to follow up the matter. We trust that full information covering ballistic tests of this powder will reach here by an early mail. I regret to be unable to give you any further information on the subject as the mail is closing this afternoon. Col. de Fremery is back and I shall discuss the matter with him.

Further contracts: I have been negotiating for the last few days for a 30-ton contract of du Pont I.M.R., powder no. 25 with the Shanghai Arsenal. I have quoted them the price of gold $2.30 c.i.f. Shanghai, shipment east coast. If shipment is made via the west coast, 10¢ extra per kilo will be charged. The terms are similar to the first contract, copy of which is now in your hands.

In order to increase their interest in the matter, I have suggested that it might be of mutual advantage to make a 50-ton contract now that they know from the tests of the Frankford Arsenal that our powder is satisfactory, in which case I would quote 2.26 (or 2.36) and not insist on a higher deposit with the order. The matter has been referred to Nanking and will probably be settled next week.

The German advisers have remained singularly quiet of late, possibly on my hint that they were being spied upon by the Chinese authorities. Anyway, from further information I have been able to obtain through Chinese sources, all three of them are going to be transferred to various places in the interior, and there seems to be a very good chance of our now being free from interference. I have also learned that the chief engineer of the arsenal, whose name is on the contract and with whom I have been negotiating, is considered to be absolutely square. Anyway, presents will have to be given to various parties at China New Year and the over price we get can be used for this purpose. Incidentally, we are spending a fortune on cable charges and I think that it is only right to charge all the traffic can bear. Later on if we discuss a 500-ton contract or so we can bring down our price to your figure of 2.18.

We are accumulating a considerable amount of information, partly through Colonel de Fremery, partly through Chinese sources, and C. Y. Wang is giving me most excellent service in this connection. The new Nationalist Government is more or less controlled by returned students, and C. Y. is certain to find either former classmates or friends or relations of classmates of his wherever we go.

Eight-ton contract: Enclosed herewith please find translation of your cable dated July 30th. Considering that the cabled advice to the arsenal was sent by your good selves and not by the Frankford Arsenal officials, and that we are negotiating a new contract, I found it more diplomatic not to ask our friends for the second quarter of our first contract. I shall do so when the original documents signed by the Frankford Arsenal come on hand. This means a month's loss of interest, but I think that just at present it is much safer to act as I have done as the Chinese officials may very rightly point out that the information is coming from us.

There is no time to give you any further information as the mail is closing. As soon as anything develops I shall let you know by cable.

SHANGHAI DYESTUFFS OFFICE,
(s) F. A. M. NOELTING,
Director of sales for China.

Exhibit No. 957

[File: MS-100-C]

Wilmington, Delaware,
December 17, 1921.

Report of Trip to: Washington, D. C., December 16th.

Called at the Department of Commerce regarding their letter of December 9th concerning our negotiations in Argentine. Saw Mr. P. S. Smith and Mr. J. P. Bushnell. Mr. Bushnell is a former employe of the du Pont Export Company, who was a traveling salesman in Mexico and South America for the Export Company. Mr. Bushnell stated that he knew Mr. Lissner and therefore was interested in doing all he could for us.

Mr. Smith stated that the information did not come through the representative of his department in Buenos Aires, namely, Mr. Feely. Mr. Smith's letter to us was founded on a confidential report sent to him by the American Chargé d'Affaires in Buenos Aires. I requested Mr. Smith to permit me to read the report but he stated that the department was not permitted to show confidential reports received from the various embassies. However, I told him that I felt there would be something in the report which would be of material aid to us in straightening out this matter, and he finally agreed to let me read it if I would consider it strictly confidential and personal.

From my memory the following is the substance of the report:

October 27, 1921.

The du Pont Company has in Buenos Aires a German Jew named A. Lissner, who is negotiating with the Argentine Government for the sale of a quantity of powder which the du Pont Company has on hand, due to the cancellation of a contract with the Italian Government. In a conversation with the Chief of Ordnance he told me confidentially that Lissner was endeavoring to bribe Argentine officials by indiscriminately distributing funds through a middle man. The Chief of Ordnance, together with other Argentine officials, strongly resents Lissner's business methods, contending that Lissner came to Argentine with the idea that the government officials were corrupt and that he could only obtain a contract by paying bribes. Argentine does not like to do business with this type of a representative and therefore the Chief of Ordnance stated that the du Pont Company would not get the contract.

The vice president of the Baldwin Locomotive Co. came here last year and made a very good impression on the Argentine Cabinet, together with all Argentine officials. He succeeded in putting through a $14,000,000 contract for the supplying of locomotives, etc., and not one penny of graft was paid to anyone. American manufacturers would do well when negotiating with Argentine to do so through an officer of their company or through some very high official. A vice president of an American corporation carries much more prestige with Argentine officials than does an ordinary representative. A vice president is generally a higher type of man, whose business methods are on a much higher plane and the Argentine Government feels complimented when an American corporation sends a high official to conduct negotiations with them.

While I do not personally know Mr. Lissner, it is rumored that he is frequently drunk and does not represent the true type of American business man. This last statement is given to you with reservation in that the writer has no proof of it being true.

(signed) Francis White."

Both Mr. Smith and Mr. Bushnell felt that a great deal of the above report could be discounted, stating that Mr. White was a very high type of man, conscientious and painstaking. The moral conclusion which Mr. White attempted to draw attention to in his report, of course, is a high thought, but Mr. Smith stated that he spent eight months last year in Buenos Aires and knew for a fact that the officials were corrupt and endeavored to obtain graft whenever possible. He ventured to say that it was quite possible that the Chief of Ordnance was incensed because Lissner had not conducted the business directly through him, and further, that it might be likely that he objected to Lissner's methods because he was not getting part of the graft.

Mr. Smith agreed to cable his representative, Mr. Feely, at once and instruct him to get in touch with Mr. Henning and to conduct in conjunction with Mr. Henning a thorough investigation of the case. I agreed to pay the cost of a cablegram and Mr. Smith will send us an English translation of the cable he sends to Mr. Feely.

Mr. Smith stated that as far as the Department of Commerce was concerned, they merely felt it was their duty to report to us the fact that our representative had not been discreet in conducting negotiations. He stated that they knew perfectly well that the du Pont Company would not permit a representative to negotiate along the lines described by the Chargé d'Affaires, and whether his report be true or not, it was Mr. Smith's belief that Mr. Lissner must have been very indiscreet.

W. H. O'Gorman.

WHO'G/h.

Exhibit No. 958

[File: MS-67]

Memorandum for A. Felix du Pont.

March 23, 1922.

Mr. Joseph McCarthy, a personal friend of mine, has been in business in Buenos Aires for the last eight or nine years. At the present time he is South American manager of the Singer Sewing Machine Company. A business associate of Mr. McCarthy, Mr. Thomas D. Valentine, is on a visit to the States, and at present is living in New York City. Mr. McCarthy requested Mr. Valentine to call on me and inquire as to whether the Du Pont Company contemplated building a power factory in Argentina.

I had the pleasure of talking with Mr. Valentine on March 20th while in New York, and I feel it my duty to pass along to you certain information and remarks regarding Mr. Lissner's performances and negotiations in Argentina. I might add that Mr. Valentine knows Mr. Lissner very well, having become acquainted with him upon Mr. Lissner's first trip to Buenos Aires. While some of Mr. Valentine's information and remarks are not new, I feel that since he is in no way interested or connected with this company, they are worth repeating to you. The story as told to me by Mr. Valentine can be summarized as follows:

During Mr. Lissner's first trip to Argentina in 1920, Mr. Valentine became acquainted with Mr. Lissner by meeting him at the American Club. Mr. Lissner openly announced that he was down there to sell Argentina a quantity of Italian powder which he personally repurchased from the Italian Government at 1¢ a pound and which we intended to resell to the Argentine Government at a price of 70¢ per pound. This fact was made public by people who heard it; and naturally, before very long the officials of the Government knew the exact cost of this repurchased powder and fought shy of buying it. In Mr. Valentine's opinion, this is the real reason why the Argentine Government did not contract with us for a quantity of Italian-purchased powder.

Secondly, Mr. Lissner at no time made any secret of his negotiations and often told the complete story while drinking with a party of friends at the various bars in Argentina. These friends consisted of the hangers-on around hotels and barrooms and were men of the type who had no social or business standing and were nothing more than news-gatherers, who did at the first opportunity repeat the entire story to people who could do the cause most harm. It therefore was not very long before the American business men, the American Chamber of Commerce, and the representative of the American Department of Commerce looked upon Lissner as the wrong type of individual to represent an American concern such as the Du Pont Company. The American element, therefore, regretted that this company sent such a type as Lissner to Argentina. Mr. Valentine said that it was absolutely necessary to pay for any favors received at the hands of the Government and that graft was one of the essentials in the Government departments, but that Lissner resorted to open bribery methods to such an extent that the officials in the Government were afraid to deal with him and considered him irresponsible.

Mr. Valentine, in order to let me know that Lissner was prone to tell any and all phases of his business, recited the story as to Lissner's expense accounts on his first trip, and how the president of the firm authorized him to be paid $5,400 in excess of his fund, although the head of the department, a man named Casey, refused to reimburse Lissner.

I might continue and add a great many details to this summary, but I do not deem it advisable or necessary. I am passing this on to you not as a slam against Lissner but as a verification of the details you already have concerning Lissner's actions, and further as an additional justification for your recent action concerning him. Personally I could never understand why Lissner did not succeed in selling at least some of the purchased powder, but the explanation as set forth above seems to be a feasible reason as to his lack of success in this respect.

I desire it to be strictly understood that I did not invite Mr. Valentine to comment on Lissner and that same was done voluntarily by Mr. Valentine during my conversation with him. I consider Mr. Valentine's comments to be the public opinion in Argentina regarding Mr. Lissner; and further, I sized him up to be a man who know what he was talking about and one who had no axe to grind, and therefore I feel that the information is worth repeating.

Mr. Valentine will probably call on me in Wilmington at some future date; and if you are desirous of talking with him I shall be very glad to present him to you.

W. H. O'Gorman.

WHO'G/N

("Exhibit No. 959" appears in text on p. 2485.)

Exhibit No. 960

Heedles & Breidsprecher,
Mexico, D. F.

Date: September 1st, 1930.
To: Remington Arms Co., Inc.
Subject: Guadalajara.

Although we know that Mr. Jonas, of Winchester, returned to U. S. A. last week without going to Guadalajara, the writer made a trip to Guadalajara last week in order to investigate whether Winchester made any special offers there, specially to the Club Cinigetico which favored us with an important order last year.

We are pleased to advise you that Winchester has not received any important business from this section of the country lately; in fact, the Club Cinigetico has not ordered anything up to the present and should the club need an additional supply of shot shells, etc., you can be confident that we shall get the order. The club has been well satisfied with what you shipped the early part of this year, but conditions are bad and the members of the club are holding back with money and besides there is still a lot of shot shells, etc., left from your shipment which will be distributed among the members of the club as soon as the shooting season starts.

With reference to the metallic business we found a very peculiar situation in Guadalajara. The writer saw more contrabands in this section of the country than anywhere else; there is a fellow with name of Godinez installed right in the market place; he has no permit to sell nor has he permit to import, and yet he must have at least 100,000 metallics in stock. Most of it is western ammunition which he gets from Nogales as contrabands and the balance is from Arms & Metal who sell this man metallics at less than the cost laid down Guadalajara would be by regular importation. Arms & Metal is doing this to compete with prices quoted to this man by Quintana, and it will not take long until Quintana will make use of their confidential discount and will try to underbid Arms & Metal, etc. Roberto A. Gonzales of this city offered cal. 25 auto. at Mex. $70.00 a hundred to this man, and laid down costs of this cartridge is $92.30 Mex. a hundred and you realize that this also must be contrabands metallica. Of course, the regular trade in Guadalajara is suffering under this unnormal situation and within time they trade will be forced to buy contraband or give up the sale of metallico cartridges.

A similar situation seems to arise in Mexico City. Roberto A. Gonzalez seems to buy contraband metallics exclusively and told the writer yesterday that he would have printed a new price list underbidding all prices quoted by Quintana at about $3.00 Mex. a hundred.

Mr. Heedles undoubtedly told you that we are making every effort to have the Government realize this situation and reduce the duty, but it seems very doubtful whether our efforts in this direction will have any success; the writer is afraid within a short time this contraband affair will become a very serious handicap in the regular sale of our metallics. Guadalajara seems to be a very good example of what is going to happen. Godinez maintains that he yet has not been able to buy any Kleanbore cartridges in Nogales. He said to the writer that in Nogales he can buy western ammunition only and if he would not look to the writer as a very dangerous person, perhaps it would be advisable to do some business with him, but under present circumstances it looks better to keep away from him.

Luis Ramirez Zenteno.—Attached find order #264 for this account which should be shipped together with the clients' pending orders. We beg to advise that we have applied for a special permit to cover this importation and hope that same will reach you yet in time to make a combined shipment. If this is not possible, please ship the pending orders right away and let us know when this order is ready for shipment, later on the client perhaps allows us to add some shot shells in order to make a full shipment.[1]

Vda de Celio Ramirez Sucr. Testamentaria Marizano Ramirez Jimenez, Calle Eje Poniente #352, Guadalajara, Jal.—This is a new account and we beg to enclose order #267 of this client, which kindly ship as soon as the corresponding permit reaches you. We have applied for the permit and same will cover everything specified in the order. You will remember that some time ago you received an inquiry from this account calling for 100,000 metallics, well, on account of the contrabando and low prices bidding of Quintana and Arms & Metal, he only can import the calibre shown on the order, too bad indeed. This is a responsible firm and the writer obtained very satisfactory references and in order to make our offer attractive to the client, we allowed for half of the amount of your invoice 60 days' sight and for the balance 90 days' sight net. The question arises whether we should sell metallics direct to such a client who is also client of Quintana. The writer believes that we should sell him direct since this is an established firm and would buy from Arms & Metal or contraband if we would not try to sell him direct, and then of course, he would not sell Kleanbore ammunition. Besides he has ordered rifles from us and look up the few rifles which Quintana have bought from us. We trust that you will at once write to this account and acknowledge receipt of their order and advise them that shipment would be made at the terms specified as soon as the permit has reached you.[2]

Salvador Sanchez, of the firm Sanchez y Rosales, Calle 12, # 479, Guadalajara, Jal.—This is also a new account and you will remember that some time ago you received an inquiry from this man. The writer hesitated first to sell him direct in view of the fact that this man has not yet established a store in town and according to his advice is going to establish an arm and ammunition store shortly.[3]

However, the writer saw an order for metallics and rifles which was taken by Winchester and also an order for Colt revolvers. Mr. Sanchez also showed the writer the corresponding permits and in view of the fact that he offered to pay half cash with order and balance against sight draft with his first order, we of course, at once accepted and made up attached order #266. We have applied for the permit covering all items specified on this order and as soon as same has been received, we shall communicate with you. Mr. Sanchez will send you check covering about half of the amount of the order as soon as the permit has been received and we suggest that you figure at once the exact cost of this order in order to enable us to ask him for the exact amount as soon as the permit has been received.[4] INK NOTE.—Acknowledge receipt of this order direct to client.

Selorzano Hermanes.—The writer also took an order for metallics from this account but same is being revised by the client at present and will be sent to you at a later date.

War Department.—Since the writer returned from Guadalajara, the War Department finally issued new permit instructions which are as follows:

1. A new general permit will be issued to all clients which had such a permit up to the present. This permit will be valid until December 31st, 1930, and will *again* cover all calibers of shot shells, escopetas, *cal. 22 cartridges and cal. 22 rifles.*

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[1] This paragraph is in a circle (P. note). Halsey.
[2] INK NOTE.—Suggest you also get credit information.
[3] NOTE.—This paragraph is in a circle.
[4] Also this paragraph.

2. A special permit must be applied in each case of importation of metallic cartridges, pistols, etc. In other words, this special permit affair stays as it is right now.

3. Our clients will be allowed to sell and ship within the country 5 pistols and 1,000 metallics without a special permit (at a time); sales of larger quantities of pistols and ammunition are subject to a special permit of the War Department. Our clients can freely sell escopetas, rifles cal. 22 and cal. 22 and shot shell ammunition as before.

4. In the future under no circumstances permits will be issued covering sales or importations of rifles and ammunition and pistols which develop a higher velocity of 500 meters per second. Such a permit can only be issued by the President of Republic.

At a cost of Mex. $80.00 we are having all these new permits printed as courtesy for the War Department; we further have applied for all our clients for these new permits, but you will appreciate that it will take considerable time until all these permits have been communicated to the foreign office and hence to the consul, therefore we have applied for special permits covering pending order in the meantime so that shipment of these pending orders will not be delayed.

The general in charge of the War Department, Artillery Dep., has, however, not signed for the past three weeks and this in spite of the fact that we have contributed with $200.00 oro nacional to make the general's life more pleasant and reform the new law on ammunition and arms, so with all contrabando, price under bidding of Arms & Metal and Quintane, permit affairs, etc., etc., you will appreciate what joy it is to work for Remington Arms Company, Inc.[5]

Your credit notes or better, said cash to cover $280.00 pesos Mex., will be appreciated.

Yours very truly,

(Signed) M. M. Veuicier,
Heedles & Breidsprecher.

Ink Note.—I forgot to mention that $200.00 which we kept at the office ready for War Dept. expenses, were stolen the other day, so you better make the check $480.00 or U. S. G. $240.00. *Breid.*

Exhibit No. 961

"A" MX

[(Stamped) Answered Mar. 16, 1931, G. Rugge]

Heedles & Breidsprecher,
Mexico, D. F., (Date) March 11th, 1931.

To Mr. Geo. Rugge,
Remington Arms Co., Inc.

Subject:

Dear Geo.: Your letter of the 7th relative to orders from Sr. Guillermo Clements #314, A, #314B, and #315 has been received and we confirm our cable reply, advising you to ship this client in accordance with the regular terms, that is, three drafts, one-third sight, one-third thirty days, and balance 60 days, with instructions to allow a discount of 2%, providing the full amount is paid upon presentation of drafts. Attach the documents to the draft.

It is rather difficult to inform you as to the future because we really are upside down and nobody knows what next they are going to think of over at the War Department to disturb matters and make things more difficult for us. I certainly hope we do not have to go thru another month like the past one, as it was the worst we have had in six years, and that after taking into considerations revolutions, etc., we paid thru the nose last month all right.

For the past ten days I have been giving considerable attention daily to the War Department better said, the person responsible for all of our grief, but he certainly is a tough egg and knows where he is. We had a friend over there at the Department that represented quite an investment for us, and he was supposed to stay on and the trouble maker go out at the end of last month, and the result was that the trouble maker held on and he went out.

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[5] Ink Note.—Winchester underbidding.

He was asking for 1¢ Mexican Cy., per cartridge and you can appreciate what that means, for revolvers he asked for $2.00 each, I have been taking him out and endeavoring to demonstrate where he was wrong and why and although it has taken a while I may be able to get somewhere with him this week. Some of the excuses he has given for turning down applications are really foolish but he is the boss and can make trouble for everybody. The clients are writing and telegraphing and we are making out applications, visits, etc., but to no avail as $1,000 per 100,000 is a great deal of money and more to today.

Winchester have been after me to take up the matter jointly with them but I think it best to handle the situation between the clients and ourselves, as it is only when they cannot do something themselves that they call on us. I might add they are up to their old tricks of offering terms and confidentials, with permits being turned down they cannot do much but we know two clients they have already approached. There may be something more pleasant to report in a couple of days as I have been with the fellow responsible for our trouble almost daily morning and evening and this morning was the first time I saw an opportunity to accomplish something but we shall not know definitely until the end of the week.

Between exchange and conditions we are bad off down this and while we are not paying attention to anything but just continuing our traveling and everything else, just as though things were fine and dandy, orders are few and far between with everybody apparently firing help and cutting down expenses.

Kind regards to everybody.

Yours respectfully,

(Signed) JOSEPH A. HEEDLES.

EXHIBIT NO. 962

[(Stamped) Answered Mar. 24, 1931. G. Rugge]

HEEDLES & BREIDSPRECHER,
Mexico, D. F., (Date) March 21st, 1931.

To Remington Arms Company, Inc.
Subject:

Quintana has secured a permit for 170,000 metallics for Winchester. This has happened as follows: They made a contract with Winchester last year for 450,000 to secure a discount of 10%; they did this with Jonas. From this amount was left the above balance and they have succeeded in having Winchester continue to allow them the 10% and ship the above amount. that is, 170,000, at present prices, with of course, the 10% *confidential*[1] they allow them.

In view of the the fact that the writer put over the deal whereby we could continue to secure permits, or better said, do business, Majuregui asked whether we would rather have him hold off placing or soliciting the Winchester permit, but, as you can appreciate, he asked this with the object of preventing us from permitting the rest of our clients taking advantage of the arrangement and I told him we had no objections to his soliciting the permit as well as placing the order, so that we could continue solicit orders from the rest of our friends, besides he will not need the Winchester goods in a hurry with our pending order.

Gonzalez also secured a permit for 100,000, but this was a slip-up on our friend in the department, we both had an application in; that is, Winchester as well as ourselves and he permitted both to be issued at the same time, but I think Gonzalez also will delay his order.[2]

The cut in duties has been put off once more, but I think we can get out the department recommendation for a cut by the end of the month and then all we have to contend with will be the Sec. of Treasury, but the department recommendation as we shall see that it is made, should bring about sufficient pressure to secure a reduction in duties.

We are consulted for most of the "acuerdos", that is, to whom permits can be granted, delayed, canceled, refused etc., and we hope it lasts for a while longer, because in about six months time nothing but Kleanbore would be allowed.

Yours respectfully,

(Signed) HEEDLES & BREIDSPRECHER.

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[1] Note.—Underscored in pencil.
[2] Pencil note.

EXHIBIT NO. 963

"A" MX

[(Stamped) Answered Apr. 20, 1931, G. Rugge]

HEEDLES & BREIDSPRECHER,
Mexico, D. F.

Date: El Paso, Texas, March 16, 1931.
To: Remington Arms Co., Inc.
Subject: Mexico Hardware Co., El Paso, Texas, Ciudad Juarez, Chih.

DEAR MR. RUGGE: I called this morning on Mr. S. R. Silva, manager of the above-mentioned company and had a long talk with him on the arms and ammunition business into Mexico. He showed me an invoice covering a shipment of metallics which you made to this firm recently and also told me that he would send you a large order soon. Before I left Mexico City about three weeks ago, Enrique Gutierrez M. of Mexico City placed an order with this company for cal. 22 cartridges which this company offered to Gutierrez at lower prices c.i.f. Mexico City than they cost Gutierrez c.i.f. Vera Cruz, including duty. The reason for this is that this company is getting a large quantity of metallics over the border without paying duty, Mr. Silva has a combination with a number of custom house officials in Ciudad Juarez.

However, in order to import large quantities of metallics, which is the intention of Mr. Silva, he is going to send to our office several applications for special permits which will cover a greater quantity of metallics than specified later on the permits, the permits simply cover up the whole affair and if he gets in trouble he can make reference to these permits. As soon as I get to Mexico City I shall see that the War Department will grant these permits and as soon as we have secured same you can expect quite large orders from this client.

Mr. Silva told me that your Mr. Heath, I believe this is the name of the gentleman, recently called on him and the company is now selling Remington arms and ammunition exclusively.

You are undoubtedly aware of the fact that all of the arms and ammunition which you ship to this client is for sale into Mexico, he does not do any domestic business in this line, in fact he handles this business thru his Ciudad Juarez branch.

I believe we never received any commission on the sales which you make to this company although all of these sales cover goods for sale into Mexico and for that reason you sell this account at export prices and ship from your export department and not domestic department and I would appreciate if you kindly would look up this matter and see that the commission which will be due to us will be taken care of.

As mentioned above I promised to Mr. Silva to take care immediately of his permit affair at the War Department as soon as I return and I hope that once the permit question arranged, his orders will increase considerably. Please keep the information given above as to the contraband business this company is doing strictly confidential and do not mention anything of this in letters you send to our Mexico City office.

The reason I write you about this is that I am in El Paso today and not in Mexican territory.

Awaiting your comments and with the writer's personal regards also to friend Monaghan, we are,

Respectfully yours,

(Signed) MM. VEUINNI,
HEEDLES & BREIDSPRECHER.

cc Mexico City office.

[(Stamped) Received Mar. 20, 1931, Export Department.]

EXHIBIT NO. 964

["A" GU]

JUAN VAN DE PUTTE & CO., SUCS. ALMACEN "EL CAZADOR",
Guatemala, C. A., NOVEMBER 13, 1929.

(Dirrecion Cablegrafica: Cazador-Guatemala, Guatemala.)

REMINGTON ARMS CO. INC.,
29 Warren Street, New York City.
(Attention of Mr. Geo. Rugge.)

GENTLEMEN: I wish to confirm the cable I sent you today, which reads as follows: "Hold million order. Await instructions", and now I wish to acknowledge receipt of your wire reading thus: "Entire shipment in New York. Will hold. Hope no trouble. Regards. Rugge."

I regret very much that I was forced to send you the above-referred-to wire, but circumstances obliged me to. I am going to explain to you fully my motive.

When I booked the order for the million rounds, and I sent you the cable advising you, the order had been approved by the Minister of War, the Detol General de Rentas, and it only had to be signed by the Minister of Finance, who gave instructions to the Subsecretary to do so, on account of his being ill in bed. This Subsecretary held the signing of same and finally did not sign. He is a very close friend of Salvador Koenigsberger, agent for Western, and showed Salvador Koenigsberger the contract for the paltry sum of $100.00 and at the same time made a lot of noise, recommending that the order was not legal because it was not submitted to public bidding, and at the same time attached to Van de Putte's contract an offer from Western's agent for the same quantities but for the amount of $15,066.00, Van de Putte's contract being for $18,000.00. The difference between your quotation and the amount appearing on the contract was to be divided among the Minister of War, etc., etc., and Juan Van de Putte & Co. had already advanced to General Juan Padilla the sum of $1,000.00 on account of this order and another $4,000.00 for another contract effected for some leather kids and belts for the National Army. When this happened the Minister of War sent for all the papers and documents and was going to put it through because they expected a clean-up in all departments, and naturally the order remained in status quo, although we retained the right-of-way, the Minister of War being "morally obligated."

The change in all departments took effect, and there is a cousin of the President at the head of the Departamento de Rentas, contracts for ammunition to be sold to the patent holders. However, this change in this department has not affected us, but then Jonas arrived and he joined the parade. He has been fighting like hell. He is a very close friend of General Padilla, the Minister of War, and this Minister of War is indebted to Winchester, because they give him a commission for ordering in all the permits Winchester ammunition. You will recall that when Freddy arrived in New York he had quite a nice order for loaded shells and some cartridges. Both these orders were for Winchester, but Freddy gave you the order for the cartridges, and he bought the loaded shells from Winchester; and when he arrived here the general gave him hell for doing so, and he finally admitted to Freddy that he was "morally" interested in Winchester. The percentage of commission which they give the Minister of War I have been unable to find out, but I believe that I will secure this information before I leave.

This morning I went with Mr. George Cordere with another contract for $18,000.00 to see Mr. Castaneda, the new man at the head of the Depto. de Rentas, and the contract specified Remington's ammunition and same was signed and then we went to the Minister of Finance, who also signed and gave instructions to the Subsecretary to notify the Minister of Foreign Relations so that he can issue the instructions to the consul of Guatemala in New York to approve the consular invoice. So far everything is all right, but this new man wants $3,000.00 before he lets go the contract, promising that as long as he holds the job Remington will have the clear road through Juan Van de Putte Co. Naturally, Mr. Cordero accepted the conditions, but when we came back to the store Mr. Herman Topke, of Topke & Co., objected to advancing this sum (Topke & Co. owns Juan Van de Putte & Co.) because he does not want his books to show so much money advanced in commission, as the books are quarterly revised by Government officials. Now, both Mr. Cordero and myself were placed in an awful predicament. The contract signed and Mr. Castaneda could not be convinced that the money would be given him as soon as the cartridges arrived. Then Mr. Topke suggested that it was better if the $3,000.00 would appear on the invoice, and it was decided that I should communicate with you. In the meantime I sent you a wire to hold the shipment, because I do not know if you would be agreeable to their proposition. In view of the above, I sent you the following cable:

"To proceed with shipment order need $3,000.00 advance, adding same to value of order plus interest, drawing, as stated, if agreeable. Wire funds Cazador. Latest development make it necessary, otherwise lose business. Advance required guaranteed. Recommend approval."

Jonas knows all about it, and he has been red hot after Mr. Cordero to give him a chance to quote, but so far Mr. Cordero has stuck with us. He is placed in awkward position, Mr. Topke refusing to advance the money and the other man wants his money in advance. Mr. Cordero hinted to Jonas if his company would be willing to accept the order at the same basis which I am outlining to you, and he answered in the affirmative. I am afraid if you do not want to advance the money that Mr. Cordero, in order to secure the contract, will give the contract to Winchester.

In the cable I recommended the approval, because I am quite sure of the solvency and seriousness of both Juan van de Putte and Topke & Co. I, at the same time, besides getting the order signed for $16,100.00 instead of $12,100.00, will secure a letter guaranteeing the advance of $3,000.00 in the event that for an unforeseen circumstance the goods are not shipped.

I am through with my work here, and I have been detained on account of this order and looking after your interests. If the order is not secured because you refuse to accept their proposition, I will be out of luck, because my expenses have been running just the same, and more. However, I always mix the sweet with the bitter, and if the deal is not closed I will take my medicine; but you can rest assured that I have done everything possible to guard your interests, not letting go the order to another channel.

I understand that Juan van de Putte sent you another cable confirming my cable and informing you that the advance is guaranteed by them. I told Mr. Cordero to charge both cables to Remington's account, to be deducted from your next invoice to them.

I am attaching hereto an additional order for 100 M percussion caps, which you will be kind enough to ship in conjunction with the first shipment which you will make to them. They are in dire need of these caps, as their stock is nearly depleted.

I am planning to leave for New Orleans on the 21st inst., arriving at New York on the 27th instant, and trust that everything will be arranged satisfactorily before I leave, and with my warmest regards, I am,

Yours very sincerely,

G. FERNANDEZ.

EXHIBIT No. 965

[(Pencil note) Letter No. 31. "A"]

MANAGUA, DN., NICARAGUA, *27 June, 1934.*

MY DEAR FRANK: General Somoza had dinner with me last night and he told me that he intended to equip the Army with .45 calibre Colt automatic pistols as standard equipment. Guruceta, of course, when he is here is pushing the Star pistol, so I suggest that you communicate with Mister Nicols to write direct to General Somoza offering to sell him direct. I would suggest that in his quotation he should include a 10% commission for General Somoza.

General Somoza has accepted this commission with the full knowledge of the president and it is not considered as graft but is considered as an extra payment for the work he is doing here. If Colt would see the way clear to reserve 2½% commission for Ampie it would be a good idea as he will push matters through and attend to the details of opening credits, etc.

I expect to have an answer from the General today on the various Remington items on which I have quoted him for the Government.

The order for the Guardia Nacional has been reduced to approximately $1,900—as the terms I granted they consider rather stiff. I saw copies of last Winchester order in which Guruceta allowed them 30% with the order and the remaining 70% at 90 days sight. The general believes that the Guardia Nacional should be able to dispose of $4,000 to $5,000 monthly on arms and ammunition [(Pencil note) in the dry season] if we give the same terms as Winchester. Furthermore, he has agreed to give me all the ammunition and as much of the Army business as he can. They say there is no risk entailed on doing business with them on this basis as all money are deposited in the National Bank of Nicaragua as soon as they make their sales. They increase the price 10% to the dealers when they pay cash and 15% when credit is allowed. Of course, I realize that conditions change very rapidly in these countries so I am against going too deeply and it might be better to allow the competitors to get some of the business.

Of course, on Government business, that is, business for the Army, the terms will be as follows: The Government will establish an irrevocable letter of credit for the total amount of the order, providing for payment to be made in the following manner: 20% against delivery of shipping papers to the Bank of New York and monthly payments of 20% until the full liquidation of the order. This is the way in which they are paying the Auto-Ordnance Corporation, Winchester, and other manufacturers, therefore, as long as the letter of credit is irrevocable there is no risk, except the risk of the National Bank of Nicaragua becoming insolvent, which is not probable from the reports I have secured here. Their set-up is very sound.

(Signed in ink) Sincerely,

FRANK S. JONAS,
FRANK.

[In ink] P. S.—Dry season means about 6 months of the year. Therefore their purchases can amount to about 25 to 30 thousand.

EXHIBIT No. 966

["A"]

SAN SALVADOR, *March 5th, 1932.*

REMINGTON ARMS CO., INC.,
29 Warren Street, New York City, N. Y.

(Attention of Mr. Geo. Rugge.)

Wish to acknowledge receipt of your cable of last Saturday which reads as follows:

"Quotations sent week-end cable, ten percent included. Carbines shotguns shipped, documents air-mail you."

I also received your week-end letter quoting on the 580 M rounds of sporting ammunition as follows:

"FAS New York eighty-one hundred seventy-six dollars. La Libertad eighty-seven hundred sixty-seven dollars not including consul fees. Our revolver cartridges oil proof, also Kleanbore. Try get getter payment arrangement."

I am working with Mr. Armando Frenkel on this business, as I informed you. Yesterday the quotation from his connection in Toronto arrived and much to my surprise their quotation is much lower than ours. I will send by next week's mail copy of their letter quoting on the same quantity. Fortunate Mr. Frenkel will not present their bid.

Re: Last payment on the government 7 m/m order.—Last Monday I received your cable as follows:

"Balance mausers ready for shipment Friday. Has check been sent? If not, request cable remittance, answer immediately."

I did not answer right away because I was in hopes to cable you that I was going to send the draft by air mail leaving Tuesday. However, since 10 days ago, I have been after the money, and only last Monday I succeeded in securing the receipt properly signed by General Martinez, Coronel Valdez, the minister of war, and Dr. Molina, the minister of finance. I went immediately to the treasury but I met with bad luck. It happens that the money that was deposited with the Banco Agricola Commercial to cancel the last payment of the order was withdrawn by the treasurer and although both Mr. Rodolfo Duke and Mr. Antonio Vilanova the treasurer of the Consejo Civico had the assurance of the treasurer of the republic to cancel the last payment as soon as the receipt was properly signed, he did not want to do it on account of the exchange being so high. He promised to pay next Monday, the 8th, and I will immediately cable you to that effect. I did not want to take any chances and that is why I sent you the following cable:

"Hold shipment following steamer."

I do not know whether you know about the exchange here. It fluctuates up or down every day. Few days ago the rate of exchange was 257 colones for $100.00. The normal rate is two for one. Now it has come down to 243. You can appreciate how something like this effects any business transaction. However, the nonpayment of the last installment of the order has nothing to do with the exchange at all. I know all the dope. The treasurer, Mr. Joaquin Rodezno, is a "son of a so-and-so", to put it mildly. I have been trying not to have another clash with him. He is a very good friend of Saul Garcia, Winchester representative, and he has been "greased" by Garcia, with the result that he is as mad as a "puppy" because I secured the business, and he is trying to place everything in my path just to bother. I had a sort of an argument with him in front of Mr. Duke, and I finally had the upper hand. The document which I have signed by the parties which I mentioned in another paragraph is a bona fide legalized document, and as far as securing the money is perfectly safe. I did not want to trouble General Martinez about it, but if he does not come across next Monday I will have to resort to this measure. At any rate, I feel quite confident that I will send you the money during the next few days and will cable you to effect shipment as soon as the drafts is in my possession.

Re: Carbines and shotguns.—I received the document covering the shipment through Pts. Barries, and I have been informed that they are due here early next week. I trust that I will be able to secure some nice business for both these items and some "Riot shot shells." I will keep you posted on this business.

Re: New quotation on the 7 m/m Mauser Cartridges.—I have already written you that I have found your quotation lower than the previous one. I have thought it best not to present same until I get the final payment of the previous order. There is a lot of competition on this item. They will probably buy 3 million rounds. As I told you before, the Consejo Civice is going to have the control of the buying and paying, but the War Dept. will instruct them what they want. I am very much enthused because the Treasurer, Mr. Antonio Vilanova is a very honest and good friend of mine. I am very close to his brothers, Jimmy and Alberto and Frank. This is one party I do not have to "grease", but there are plenty in some other directions. For instance, Colonel Bara, Chief of the War Supply Dept., wants 2%. There is the buyer of the Republic Provendor General. He wants something too and there is Mr. Armando Frenkel who is working with me on this business and there is me too. That is why the 7-1/2% is not an enormous percentage as you seem to think it is. As I cannot remain here indefinitely and as we need some reliable person to take care of the business I believe honestly that I have made the best connection there is in town in Mr. A. Frenkel. He sells to the Government a lot of goods and certainly knows the ropes too. He sold to the Government 100 Swiss-made machine guns and 150 M rounds of 9 m/m cartridges for same. He is a Mason, and General Martinez is a Mason, too, and it seems that General Martinez when he was appointed last year Minister of War induced Mr. Frenkel to get some connection in the arms and ammunition line. I am including herewith original letter signed by Mr. Frenkel, and as you will note, the final confirmation has come from you, so there is not a commitment on my part. You are the one to decide if Mr. Frenkel is going to work with us or not. For your particular information Dupont wrote to him offering their representation without him asking for it, and he is working with me on the Government business not taking into consideration that Canadian firm of which I have written you about.

As soon as you receive this letter I wish you would send me by air mail a check to my favor for the sum of $300.00 (three hundred dollars), which you will please charge to my account.

With nothing further just at present, and hoping that I will have some good news for you during the course of the next week, I am,

Yours very truly,

L. G. Fernandez.

Exhibit No. 967

J. Saul Garcia,
Apartado Postal No. 23,
San Salvador, El Salvador, C. A., November 5, 1932.

Winchester Repeating Arms Company,
New Haven, Conn., U. S. A.

Gentlemen: Attached I am pleased to send you note from the ministry of war, so that once you have read it you will return it to me for my files.

As you will note, that order was reduced to 200,000 and placed at the price of $14.70 c. i. f. This is the same price that was quoted by the three competitors from that country, and I was able to secure the order for you thru the very efficient cooperation of Colonel Ernesto Bara, chief of the department of war.

Regarding the commission of 20 cents offered by you, and which is now reduced, I would state that I have offered it to a person who was very influential in securing this business for you, and, as I have told you in previous correspondence, I am not interested in making any profit on this transaction, and, on the contrary, the cable, correspondence, and other charges will be for my account, and my only gain is that I have secured this order for you in spite of the fact that Remington was intensely, and this is a source of great satisfaction to me.

As there will be no more time this week to carry thru the arrangements to get the ⅓ mentioned in the contract, I trust to do this during the coming week.

As regards the manner of packing which they have specified, it appears to me to be very costly. Therefore, it would be best that you write me a letter acknowledging receipt of the order and, at the same time, telling me that the price quoted does not include packing in tin-lined cases, and that, therefore, you will ship the goods well packed in standard cases.

The order from the Proveedor del Gobierno for you will be delivered to me, and I will send it to you by the next air mail.

Yours,

GARCIA.

JMS—11–10–32.

EXHIBIT No. 968

["A"]

HOTEL NUEVO MUNDO,
San Salvador, C. A., March 5, 1932.

REMINGTON ARMS CO., INC.,
29 Warren Street, New York City.
(Attention of Mr. George Rugge.)

GENTLEMEN: I wish to acknowledge receipt of your letter of the 16th ultimo, in connection with various cables exchanged between us pertaining to the second remittance of $11,533.00.

I also have for acknowledgment your letter of the 17th of Feb. in which you confirm my cable to advising that the draft sent was for the same amount and that the last payment was guaranteed by the Banco Agricola Commercial.

Your letter of the 17th of February confirm your cable in which you advised me that you were shipping three hundred thousand rounds and to hurry permit for my order for rifles and shotguns.

Your letter Feb. 19th brought the documents covering your shipment on the steamship *Santa Eliza*, and acknowledge receipt of the remittance of $11,533.00.

I was not surprised at all about the information you give me in your letter of the 19th relative to the permit for the carbines and the shotgun. I do appreciate all the trouble you went through at that end, and if I must be frank I had a hell of a lot of trouble trying to have the Ministerio de Relaciones in this city sent the cable to the consul at that end. Fortunately you finally got through the shipment which is expected here sometime early next week.

I agree with you that during these general unfavorable conditions throughout the world " half a loaf " is better than none. It is also interesting to know that I and Mr. Expenses will derive an amount that is not far away from your profit. It is also of great interest to me to note that the unpleasant fellow " Mr. Overhead " is much in evidence. I might add that this same fellow is still very much with me. Communications, hotel, incidentals, etc., etc., are very much the same around this neck of the woods. I do not wish you to assume that I am selfish in this respect. I will give you an idea of how I came out on the Guatemalan order which I would have not brought up, but to prove to you my sincere standing with you. It cost me, round trip to Guatemala by plane, $45.00 and 10 days which I spent there at the rate of $6.00, not counting some extras, $60.00. There you have a figure of $105.00. Now, you will please check up what commission I will derive from this transaction and you will see how much is left for me as a way of profit, and then I was taking the chance of securing the business or not. Fortunately I was able to secure it. On normal conditions I would have been able to procure some business for the other lines which I represent. However, this is not the case. I only got an order for Pexto which does not amount over $200.00, leaving a profit for myself of some odd $12.00. Now you see, Mr. Rugge, that the same fellow is around with me, " Mr. Overhead ", and please do not forget that I am holding the bag.

On this order for 7 m/m mauser which I got the whole commission of 7½% is not for L.G.F. As you probably know you have to "oil" or "grease" certain parties in order get it through. Otherwise you are out of luck. Naturally, I would like to make a little bit for myself, otherwise I will go straight and drown myself in the river. I will not discuss this point with you any more and I will not go bothering with your quotations, until I have the pleasure of being back in N. Y., when again I will take this matter up with you.

I also wish to acknowledge receipt of your letter quoting me on 7 m/m mauser cartridges on both 1 million and 2 million rounds, F. A. S. and c.i.f. La Libertad. I noted that your quotation is lower than the previous one. I have not taken this new quotation with the powers that be until I have concluded the present transaction. I will take this matter further up.

In your letter of the 20th you confirm the commission of 7½% on further potential government business on 7 m/m cartridges c.i.f. La Libertad and advise that in the event that a much lower price is necessary to secure the order, to keep you advised of the developments by cable and that you will cooperate with me to that end.

I have been told that Elmslie Jonas is already in Panama and that he will arrive here by the end of the present month. You will be surprised to note how things are here now as far as the competition is concerned. There are representatives from Czechoslovakia, Spain (2 of them), Belgium, France, and Germany, plus Winchester, and little me. Representatives have sprung up from the ground. As soon as I think it advisable to leave San Salvador I will fly to Honduras and go south passing through Costa Rica and to my final destination, Panama. I have not great hopes in Costa Rica as I believe that there is not much doing over there in the way of securing any military cartridge business. I might be wrong at that.

I also received your letter of the 23rd of Feb., contents of which I have duly noted. I do really appreciate that my efforts have been considered as splendid by you and I am looking forward to your cooperation with me. I also wish to acknowledge receipt of the letterheads which came under separate cover.

I also have for acknowledgement your two letters of February 24th in connection with your quotation for .45 automatic and .44 Win. It is true that this government has some Thompson's machine guns.

With my warmest regards, I am,

Yours very truly,

L. G. FERNANDEZ.

EXHIBIT NO. 969

["A"]

TEGUCIGALPA, HONDURAS, *April 25, 1932.*

REMINGTON ARMS CO., INC.,
29 Warren Street, New York City.
(Attention of Mr. George Rugge.)

GENTLEMEN: I wish to confirm my letter to you dated the 16th instant. You will probably have received the order for Rentas from Mr. Armando Frankel and probably you will have received advices from the bank that the outstanding draft has been paid. As you perfectly know I sold that merchandise sometime last year, at the old list prices. There was an average of 10% for Mr. Lemus at that time the Proveedor General del Gobierno. Since Mr. Lemus has been kicked out we do not have to pay him up. You will discount from this average your percentage for the interest figured at 6% per annum; and the balance we will split up. I will take this matter when I return and will explain to you all I went through with this collection.

Attached you will please find order no. 132 for account of Bazar Union—Messrs, Agurtia y Mendoza; of this city. These people are rated A1. Please do not fail to send them samples of the "Kleanshave" razor blades and quotations, I wish also to advise you to send samples of the "Kleanshave" razor blades to the following firms:

Messrs. Felix Olivella e Hijo, San Salvador, El Salvador, C. A.
(Quote on 60m blades.)
Messrs. C. Bernheim & Co., San Salvador, El Salvador, C. A.

Send these samples by first-class mail, otherwise they will not reach destination.

You will also find attached hereto receipt from the cable office covering my last cable to you, in the amount of $2.60 which you will please credit to my account.

I am enclosing herewith a sheet of paper with the signature of Jose M. Ocho V. the Minister of War and Mr. J. A. Santos P, the Sub-Secretary of War. I promised that you would send them by reg. parcel post, one each pen knives with their signatures. Please take care of this request.

I have been quite busy since I arrived here and the chances are that we will get some very attractive business from this territory. It is too bad that the President cancelled all the permits for sporting ammunition and revolvers; otherwise I would have cleaned up here. All our clients, Rossner, Koencke, Sierke, Rafael Quan, Santos Soto, wanted to place orders with me.

TEGUCIGALPA.

I am trying to manipulate a very nice business through another source. I believe that you already know how the permits are gotten here. There is a man here by the name of Miguel Brooke, very wealthy and influential. He always gets permits because he advances money to public officials; including the President himself. He is working with the chief of police for an order for 500 M rounds of revolver ammunition and 200 S & W revolvers. Today I will know definitely if I will book this order.

Just before I left San Salvador I called on Huber & Co., and Mr. Huber talked to me of how influential they were here in Tegucigalpa, etc., etc. He asked me to write them a letter, sort of temporary agreement, which I did. You will find a copy of this letter attached hereto, which does not mean a darned thing. Immediately upon my arrival here in five minutes I convinced myself of how little these people could help us. On the contrary, they would do us some harm if we hook up with them. I have not gone over to see them after the first day I arrived. Please do not pay any attention to Huber & Co. I asked Mr. Ochoa, the Minister of War, in a very diplomatic way who was the persona grata with him and the President for Government business and he sent me over to Mr. Cornelio Zamora, of the firm of Zamora, Henriquez & Co. It seems that this firm is now doing all the Government business, and they split with the officials the commission and overages, etc. This Government is in need of some ammunition, but the Ministerio de la Guerra will not have money until the month of August. I talked to the President, the Minister of War, and the Sub-Secretary of War with this fellow Zamora, and we convinced them that they should write up the order now for what they want and when they have the money Zamora will get the money and send it to us and instruct us to ship. Today is Monday, and Mr. Santos, the Sub-Secretary of War, promised to work with me in the morning; but he did not show up. It happens that yesterday I went on a picnic with him and he got plastered. Probably he has a hog over today, but I trust that I will see him this afternoon. I do hope that before I leave I will be able to have in my possession the pro-forma order. I am writing up an agreement similar to the one I wrote for Mr. Frankel with the firm of Zamora, Henriquez & Co.

I have booked passage on the place leaving here Wednesday morning for Nicaragua. I have already given instructions to the firm of Borghi B Daglio & Co. to forward my mail there, and I am in hopes that during the next few days I will have news from you in Nicaragua.

In the meantime with my kindest regards to all, I am.

Yours very truly,

L. G. FERNANDEZ.

EXHIBIT NO. 970

["A"]

SAN SALVADOR, *April 7, 1932.*

REMINGTON ARMS CO., INC.,
29 Warren Street, New York City.
(Attention of Mr. George Rugge.)

GENTLEMEN: I wish to acknowledge receipt of your letter of March 29th enclosing receipt from the Equitable Life, etc. etc. Thanks a lot for all your trouble. I have taken due note of my debt to you and when I get back I will probably settle it with you at "Mitchels."

I have taken due note of all your interesting comments of your letter and I can appreciate how things are over there. Let me tell you, George, things are pretty rotten, even in Denmark. I do sincerely hope that old man depression will go to hell and damn quick, too. If he insists to be around any longer I will probably take a job as a street cleaner, as selling apples over there is out of fashion now, I presume.

Too bad about Frank Jonas. I believe him to be a very able man and I am quite sure that he will eventually secure something interesting. You will probably know by this time that Elmslie Jonas arrived here a few days ago. Indeed, it will be of great interest to you to know about his activities. I have a lot to tell you and I am going to commence. If I pass up any information right now later on I will pass them on to you either personally or by writing. Elmslie has traveled quite fast from Panama up here. He stopped at San Jose, but could not do a thing over there. Then he stopped in Managua for a few days during Holy Week and he was able to sell some flashlights. He did not go to Tegucigalpa at all. He has been raising hell here with his agent Saul Garcia on account of my taking the order for the million rounds 7 m/m and if it were not for the fact that this Government still owes Winchester about $6,000.00 and Garcia can help collect this amount for them, he will kick Garcia about exactly one thousand feet from the representation. He has been unable to secure any orders from the trade here and as you probably have taken note I have booked all the orders that were to be gotten, even with Jonas right here. You see, I do not wish to pat myself on the shoulder but I will be hanged if Jonas or anybody else would get an order away from me from the commercial trade here. With me it is a personal thing more so than anything else, not overlooking the fact that I sell the best ammunition manufactured in the world. No kidding. Kleanbore Oilproof and what have you. He went around to Felix Olivella and offered him a special discount of 7½% if he would stock Western. Felix, who by the way is a very close friend of mine, called me over the phone immediately to put me wise. He informed Jonas that even if he offered him a bigger percentage he would not change from Remington as Fernandez was selling this particular brand and that any confidential discount that he might offer him " le venia muy flajo " (would fit him loose—translated literally). In other words, he just informed him that he would not be interested at all. Naturally Jonas upon his arrival got all the information from his agent here about everything that was going around. The order for the 45 and the order for the Administracion de Rentas. Mr. Frenkel and I have been after the order for the 45 and we had the business. Then before Jonas arrived they quoted lower, as I have already informed you. It has been a great thing that you authorized me to book the order at the lower price of $24.50 CIF, including our commission, otherwise we would have been out of luck. Mr. Gurozeta, the agent for the " Star " Spanish pistol, resides in Guatemala and he left a party by the name of J. D. Mendez as his subagent here. Not to bore you any more, Mr. Frenkel quoted on the " Star " pistol to the Guardia Nacional, from his agent in Hamburg, Mr. Lachmann, and he got the business. When Jonas arrived they had a meeting at the hotel between this fellow Mendez, Garcia, his agent, and himself and they sent a telegram to this Mr. Guruzet and he arrived here yesterday. It was a good thing that this fellow arrived as he was very pleased that Mr. Frenkel got the order for the 750 pistols and naturally we got the ammunition order. It has been clinched. The order was put through the consul of the National Guard and has been decided, etc. etc. We only need the signature of General Llanos the head of the Guardia Nacional. Yesterday we talked to him and he informed us not to worry as the order is ours. No matter what the competition say or holler. They are discounting 10 colones every month from each soldier of the Guardia (750) making a total of 7,500 colones every month to pay for the pistols and the ammunition. They are depositing this amount in a bank in a joint account Armando Frenkel-Guardia Nacional. You see these pistols have to be shipped from Germany and the cartridges from New York. It does not matter how soon you will receive the order as it will have to be held up at your office until Mr. Frenkel advises you to ship so that the cartridges would arrive more or less about the same time as the pistols. By the time that the pistols are ready there will be enough money in the bank to pay for the cartridges and Mr. Frenkel will see to it that you get your money first as he has agreed with me. That is, you will have the money in your possession before you ship the cartridges. The order for the Guardia will be for 112,500 rounds of ammunition and for the Ministerio de la Guerra will be for 21 M rounds, making a total just at present of 133½ M rounds. There is an additional order for Guardia of 199 M of 45 after they receive the pistols and ammunition and you can rest assured that this additional order will come our way. I am enclosing herewith the order for the Ministerio de la Guerra for the 21 M and I do hope that before long I will send you the order for Guardia Nacional. You are not to ship this order for the Ministerio de la Guerra until Mr. Frenkel advises you.

Now, since Elmslie has not been able to book any orders from the trade here and he lost out on the orders for the 45 he is as mad as hell. Yesterday at the hotel he told me that he was going to secure the order for the Administracion de Rentas for the 580 M rounds even if he had to quote below cost. That is a hell of a broad statement to make but you can appreciate what I am up against. Last Sunday I tried to convince him that we should quote the same prices and to split the order so that everybody would be satisfied. He did not want to agree and on Monday he delivered his quotation to Mr. Tomas Molina, de Minister of Finance, and later on I delivered my quotation. Dr. Molina is going to decide and he will give the order to the lowest bidder. He expects to decide either tomorrow or next Monday. You will know all about it pretty soon. You told me that I am perfectly capable of taking care of myself but with these odds I do not believe that anybody would have a chance. If we lose the business it will not be on account of Mr. Frenkel's or my ability, but it will be due to the fact that Jonas is sore and will try to secure the business at any cost, even jeopardizing future business as far as prices is concerned. He will establish a percent as far as low prices is concerned and it will take a hell of a time to restore the prices so that everybody could get a decent profit. I explained to him all these points but he is stubborn and did not want to listen to reason. He wants to show the new Co. that even with all the competition he arrived and he secured the business. It is a question of pride with him more so than anything else.

I also received your letter relative to the business for carbines for Guatemala. That same day Saturday last, I sent the original letter I received from you to Mr. Isidoro Berkowitz, of the firm of F. Koenigsberger & Co. I was going to send a sample of the carbine, one which I have in my room, but the Air-Plane Co. did not accept it, being against the regulations of the company to carry any arms or ammunition. You will hear direct from F. Koenigsberger & Co. I also wrote to them by that same mail. They will probably get busy on it before Elmslie gets over there.

Yours very truly,

L. G. FERNANDEZ.

EXHIBIT No. 971

["A", Letter no. 33]

SAN SALVADOR, *July 6th, 1934.*

REMINGTON ARMS CO.,
Bridgeport, Conn.
(Attention of Mr. Frank Monaghan.)

DEAR SIRS: I arrived here on Tuesday the 3rd.

Together with Josephs, Frankels nephew, we visited the trade and am enclosing three small orders. The recent floods have effected business and it makes it very difficult inducing a customer to purchase anything at all.

Snrs. C. Bernheim & Co.: This is a fair-sized department store, who carry our arms and ammunition exclusively. Owing to the restrictions and hard times, their purchases now are very small. Credit good.

Snr. Antonio Bou: A general store who handle our line exclusively. They have an order on the way, so could only interest them in our rifles. Carry our 22 cal. ammunition, shotgun shells, and a few 22-caliber rifles. Good credit.

Snrs. Borghi B. Daglio & Co.: Largest and wealthiest hardware store in Salvador. Handle our line exclusively, but owing to restrictions and poor business have curtailed their purchases considerably. Received a small order for ammunition. Credit excellent.

Snrs. Mugdan & Co.: This is a large hardware store, who are exclusive Winchester distributors. They carry their flashlights, 22-caliber ammunition, 22-caliber rifles, and shotgun shells. As they have the exclusive sale of Winchester and the information that they did not purchase enough to split the business, I did not press too hard for an order. Credit good.

Sr. Felix Alivella: A large hardware store who handle our line exclusively. Claim they have an order in transit and owing to conditions could not see their way clear to place a further order. Credit very good.

Snrs. Sagrera & Co.: A small hardware store who handles at present our line exclusively. Did have some ranger cartridges in but from all appearances they had been there for years. Claims to have an order in transit, so could get nothing. Credit questionable.

Snrs. Carlos A. Schmidt & Co.: Not in, so could do nothing.

Snrs. Roberto Soundy & Co.: Very small hardware store. Has Winchester advertising, but carries our line exclusively. Sold practically all of his last order, but as elections are coming on, claims he is afraid to put in a stock, as in case of trouble the government will take over all of his stuff. Fair credit.

Please take the other firms off of your trade list, as they are out of business or do not deal in the line any more.

I called on Colonel Ernesta Bara, who does all of the purchasing for the Salvadore Army, and his opinion of Joseph was nil. That evening we had dinner together and he frankly stated that whenever he could evade it he would do no business with them. Later in the evening he became quite excited about both Frankel and Josephs, cursing their ancestry from the beginning of time. It appears that there is not much friendship lost between these two parties. The Government purchased from Frankel in 1932 47 7m/m Solothurn field machine guns and 500—9 m/m submachine rifles, and one million Steyer 9 m/m cartridges for same. Evidently Col. Bara did not get his proper share, and his opinion was formed. He now recommends Dada, Dada & Co., speaking most highly of them. Frankel, of course, speaks very disparagingly of Dada, Dada, claiming that they had bought Bara, hence their friendship. He did admit, however, that he had also paid Bara; but undoubtedly Dada had given him more. It is such a small place and there is so much jealousy that everyone knocks the other fellow.

I called on the Anglo Bank, and their report on Dada was not favorable, but the Banco Agricola or the Banco de Reserve could not speak too highly of them, so take your choice. Dada now has a contract drawn up with the Government on a deal he is closing with the Madison gun manufactured by the A/S Dansk Rekylriflle syndikat of Copenhagen for 200 Madsen machine rifles at one hundred and thirteen pounds each, which includes extra barrels for each gun and accessories of all kinds for the gun. I am bringing you a catalog. This company had a Colonel Walter MacKesson out here for the past two months demonstrating this gun, and he has given the agency to Dada Dada. The terms on which the deal was closed was one-third cash, one-third in eighteen months, and balance in eighteen months. Of course, the last two payments are covered with a bank guarantee. I met Mr. Vorley, of the Imperial Chemical Industries, Ltd., of London, and he informed me that he knew MacKesson, who is an officer in the German Army, and that their firm work very closely with the Madsen Co.* Whenever a sale of machine guns are sold, they quote an ammunition through them. He claims to have closed a big deal in Peru with this same firm. On MacKesson's instructions, Dada quoted the Government £4-8-6 per M for two million 7 m/m cartridges in clips. Now that Vorley, of the Imperial Chemicals has arrived, he is supposed to have given his agency to another party and Dada is going to withdraw his quotation, as he claims to control the situation, and frankly I believe from the way Bara treats him he certainly is in a fine position. He now wants to put in a quotation for us; that is, Remington, for the following specifications:

2,000,000, 7 m/m cartridges, pointed.
100,000, 45 cal. Colt auto.
100,000, 38 " " "
100,000, 38 " S. & W. Special Kleenbore & Black.

I have explained to Dada our position with Frenkel, and told him that I could do nothing until I had written to you on the subject. I have suggested that in case you would not agree to this, you might be interested in permitting him to quote on Peters. In any event, Colonel Bara says there is no particular hurry about quoting, as an order will not be placed for the next three or four months.

The Department of Renta handles the commercial business and as our ammunition is preferred in this market, I can see no reason why Frenkel splits with Winchester's Agency, except that he follows the line of least resistance. Dada feels certain that he would have difficulty, as the line is not known in the trade. We will have time to talk the matter over thoroughly upon my return, so there is no use going into further details.

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* Pencil note: Frank, is this true?—EH.

This Government has a stock of over 3,000 new Model 1901 7 m/m Remington single shot rifles and 4,000 11 m/m rifles. I learned that Huber had secured a sample of these rifles and had proposed to Colonel Bara that if he would permit him to sell these to Honduras, he would replace them with two Spanish Mauser rifles for every three Remington rifles sold. I asked Bara what guarantee had Huber to put up and he told me that it was agreed that Huber would first deliver the Mauser rifles, before they would deliver their Remingtons. I, therefore, suggested that if a deal like that is feasible and I could sell the rifles to the Honduran Government at $25.00 each and they opened credit for an amount equivalent to our price for 3,000 new Remington Enfield rifles that we could handle the deal. In that case he said, he would deliver the rifles to Honduras the moment we instructed him to do so, as he would have confidence in us delivering the new rifles to him. Upon my return to Tegucigalpa, I am taking our rifle and if I cannot interest them, I will propose the single shot deal. I went out to inspect a couple of cases of these rifles and they are in perfect condition, just as they were when shipped from the factory.

Colonel Bara as well as others who have seen our rifle think that it is too heavy and want a rifle the same size as the Mauser. The Mauser they showed me weighed 8 and four-fifth pounds, while ours weighed 9 and ¾ pounds, that is without the bayonet. The length of the barrel of the Mauser measures 23 inches and the overall measurement is 42 inches. This is the size rifle that they wanted in Cuba, Panama, Costa Rica, and Honduras.

The last order for 7 m/m cartridges, quantity three million was purchased from a German factory Karlsruher Industrie Werke Berlin. According to Frankel, the price was $19.00 CIF according to Dada it was sold in gold and they cost landed about $25.00. This price included clips and tin lined.

This morning the Minister of War asked me to ship him one model 25A standard rifle .32 cal. Winchester and 500 cartridges for same. Have suggested to Dada that he place the order thru' Baltic, as I do not know of any other way it can be handled. Dada always has shipments coming through and it could be included.

Tariffs: Owing to Germany's action in embargoing coffee or only accepting as much as the particular country purchases from them, it has caused quite some excitement in this country, as practically their entire crop of coffee is shipped to Germany. Salvador has therefore fixed the tariff laws into three categories, namely, a minimum, a medium, and a maximum tariff. A minimum tariff is to be applied to countries importing large quantities of coffee, a medium tariff, which means 15% higher than the minimum to be applied to countries, whose purchases of Salvador coffee represent 25% or more of their exports to Salvador. A maximum of 200% more than the minimum tariff to countries who import less than 25% of their exports to Salvador. This they say means that the Government will place as many orders, as they can with Germany, as they are their biggest customer for coffee. This probably will effect our ammunition sales to this country. It will hit the Japanese, as they have been dumping millions of dollars worth of goods here and they import nothing from Salvador. This tariff, of course, does not effect countries like the U. S. A. with a favored-nation treaty.

I received your cable this morning, reading as follows:

"Cable itinerary regards" to which I replied:

"Guatemala 8th, Tegucigalpa 15th, Managua 18th, San Jose 21st, Havanna 28th."

and received your cable this afternoon, reading as follows:

"Writing Panama, Guatemala, Tegucigalpa."

The National City Bank are correspondents of the Salvador Bank, so you should be able to get references from them on Dada.

The Salvador Government would not give me permission to take the sample rifle to Guatemala, however they consented to my taking it to the other Central American republics, but I had to agree to return it, as it was shipped to them gratis and has been entered on the Government records. Evidently they are not on very friendly terms with Guatemala and as soon as there is a rumor that Guatemala has made a purchase, they do likewise. I was quite surprised at their army and public officials. They appear very efficient and everything is well run.

Yours very truly,

(Signed) F. S. JONAS.

Exhibit No. 972

[Letter No. 33]

Tegucigalpa, Honduras, *July 3rd, 1934*.

Remington Arms Co.,
Bridgeport, Conn.
(Attention of Mr. Frank Monaghan.)

Dear Sirs: I spent five days in Honduras and am returning there on my way back, because they are true to form and anything they can do today, they invariably leave for next month, except accepting a luncheon or a dinner.

The president was the first man on whom I called and he appeared most pleased to see me, informing me that the order for the parts, in accordance with your letter of June 7th, had been placed. He then informed me that he was very much interested in placing an order for single-shot, seven-millimeter rifles, and a further order for ammunition and instructed me to see the minister of war, Dr. Galvez. I wasted two days before I could reach him, as he has been kept busy on relief work, due to the flood.

After I finally did meet this man, he told me that the order had not as yet been placed, as they had calculated on a sum, half of the amount of which we had advised it would cost. After several conferences with his generals, he told me he would arrange to open a credit in a few days. The final result was that he would do so upon my return from Guatemala and he would have everything ready.

I tried to interest them in our new rifle, but they insisted that I quote them on a single shot 7 m/m, similar model 1901 you sold them. They have, however, asked me bring them the sample repeating rifle which we have in Salvador, which I intend to do upon my return. If I recall I think you told me that the single-shot rifle would cost about $25.00 each, so I quoted them accordingly, so am herewith attaching copy of a letter they requested me to submit. They speak of buying ten thousand rifles, but wanted me to quote on one thousand. I told them that I would do so, but I did not think that you would accept an order for less than three thousand. You will note that I have not quoted a c.i.f. price on the rifles, as I do not know whether you can accept the business, if we get it at that price. Please write me by air mail to Tegucigalpa, quoting me firm prices on all the articles I have quoted.

They are very much interested in purchasing a fifty caliber Colt machine gun. I was not sure of the price, so quoted approximately $1,500.00. Please ask them to send me particulars and also prices on their seven m/m auto rifles. They want to standardize their ammunition to this caliber only.

I am told that they have no money, and then again it is said for army equipment, somehow or other, they are always able to raise the money. I have not learned of any large purchases they have made, except 150 reconditioned 7 m/m Maxims, which were purchased in Europe.

It is rumored that the only way that this president can hold his job is through being well prepared, so I have hopes of the various rainbows coming through.

I expect to be back in Tegucigalpa inside of twelve to fourteen days.

With reference to commercial business, as you know marshal law prevails, so nothing is being done. They expect to lift it shortly and I think from the way they talk, it will put under Government control and probably sell to one distributor for the entire country.

I therefore looked around for a possible distributor and would recommend the firm of Walter Bros. They are an English outfit, considerable capital, and have been established in Honduras for the past twenty years. They have branches in San Pedro on the coast and their head office is in Tegucigalpa. They represent various American and English firms, carry stocks and also take indent orders on commission. I suggested the possibility of taking on the Remington line and they appeared quite interested, if they are able to work it with the Government. I think they have a very good chance as they do considerable Government business, as they represent the American Bank Note Company and up to recently the General Motors. They have now switched to the Reo line. In a conversation with the subsecretary of state, Gen'l Pinedo, I asked him to advise me who would be a good agent and he immediately suggested Walter Bros. Will give you full details upon my return.

The president told me that they did not want to work thru an agent on their Government business, but suggested if we decided to do so, he would like to recommend his nephew-in-law, Mr. Grave de Peralta. I have evaded this, so as to leave us in a position in case of competition, but I called on Mr. Peralta and told him that upon my return, we might be able to do something with the Peters line.

They are not in the market at present for any revolver ammunition, as some was purchased from Peters, thru whom I was unable to find out.

I did not write to Zamorra Henriquez cancelling the agency as the firm has failed and I felt that if I did write to them they may think there is some pending business and want to horn in.

I received your letter of 21st ulto. addressed to Tegucigalpa and note your remarks regarding Mexico. I am glad you feel that way, as I think it is absolutely necessary that I return by the same route and pick up the business that has been promised to me. I note in this morning's paper that the Govt. in Washington has placed an embargo on arms to Cuba, so I am wondering what it will all mean eventually. Don't they realize that Europe will continue to ship and they will get all of the business?

Yours very truly,

(Signed) F. S. Jonas.

P. S.—Have just arrived in Salvador. Met Gomez for a few minutes. He is having dinner with me tonight. No time for further news as there is only a minute to catch the plane.

Exhibit No. 973

["A"]

Articles of agreement entered into on the 16[1] day of August, A. D. 1934, between the Government of the Republic of Honduras, acting through its representative, Dr. Ronan Bogran, Consul General at New York, hereinafter referred to as the "Government", and Remington Arms Company, Inc., a corporation of the State of Delaware, United States of America, hereinafter referred to as Remington.

Witnesseth:

Whereas Remington is a manufacturer of and dealer in arms and ammunition of the type and kind hereafter referred to and,

Whereas the Government desires to purchase said arms and ammunition from Remington in the amount, at the prices and upon the terms and conditions hereafter set forth,

Now, therefore, the Government and Remington have agreed and by these presents do agree with each other as follows:

First. Remington agrees to sell and deliver to the Government, and the Government agrees to purchase and accept from Remington, the following arms and ammunition at the prices set oposite each item thereof and upon the terms and conditions hereinafter set forth:

3,000 "Remington Enfield" rifles, Model 1934, caliber 7 m/m, without bayonets, but with sling straps. $26.00 per rifle, c. i. f. Amapala, total price	$78,000.00
1,000,000 cartridges caliber[1] 7 m/m "Kleanbore Smokeless". $23.00 per thousand, c. i. f. Amapala, total price	23,000.00
50,000 cartridges clips 7 m/m $10.00 per thousand, c. i. f. Amapala, total price	500.00
200,000 cartridges, 45-caliber Colt automatic "Kleanbore Smokeless" for Thompson machine guns, $16.00 per thousand, c. i. f. Amapala, total price	3,200.00
50 Thompson machine guns, 21-A, $140.00 each, f. o. b. New York, total price	7,000.00
	$111,700.00

Second. In addition to the price of the arms and ammunition referred to in the price of the arms and ammunition referred to in the last preceding paragraph, the Government shall pay to Remington the amount of any consular taxes or other charges which may be paid by Remington in order to accomplish delivery; it being understood and agreed that with the exception of the Thompson machine guns, the above prices include cost, insurance, and freight, and that with respect to said Thompson machine guns, the Government shall pay to Remington all freight and insurance charges arising out of the shipment of said guns from New York to Amapala.

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[1] Pencil note.

Third. At or before the execution of this agreement, the Government shall establish an irrevocable credit in favor of Remington with the National City Bank of New York in an amount sufficient to cover the price of said arms and ammunition, together with all costs and charges arising out of the shipment of the same; it being estimated that said costs and charges shall be approximately five thousand dollars ($5,000.00), and it is understood and agreed that the total amount of such credit, upon the execution of this agreement, shall be one hundred and sixteen thousand seven hundred dollars ($116,700.00).

Fourth. As and when shipments are made by Remington, pursuant to the terms and conditions of this agreement, Remington shall present to the National City Bank of New York the following documents covering each shipment:

Three copies of the bills of lading.
Consular invoice.
Invoices for the merchandise in triplicate, including freight, insurance, and consular charges.
[1] Certificate of insurance.

and upon presentation of the foregoing documents with respect to any shipment, the said National City Bank shall be and it is hereby duly authorized to pay to Remington the amount of such invoices covering the price of the merchandise, freight, insurance, and consular charges from the credit above referred to.

Fifth. Remington agrees that all invoices covering shipments hereunder shall show the value of such shipments, f. o. b. New York, and that separate invoices shall be rendered showing the cost of insurance, freight, and consular charges.

Sixth. Shipments of the arms and ammunition referred to in this agreement shall be made by Remington from New York as follows:

Rifles: 500 within four months, and approximately 1,000 each month thereafter.
Cartridges, 7 m/m: Approximately 200,000 within two weeks, and approximately 200,000 each week thereafter.
Cartridges, 45-caliber Colt automatic: 200,000 within two weeks.
Cartridge clips: 50,000 within three weeks.
Thompson machine guns within two weeks.

Seventh. The foregoing arms and ammunition shall be consigned by Remington to the Ministerio de Guerra, Marina, y Aviacion, and the shipping cases containing the same shall be marked as follows:

MINISTERIO DE GUERRA, MARINA, Y AVIACION
TEGUCIGALPA VIA AMAPALA

It being understood further that the insurance to be procured by Remington shall cover and include all risks to Amapala, Honduras.

Eighth. It is the intention hereof, and the Government agrees, that notwithstanding the amount of the credit hereinabove referred to, to be placed in the National City Bank of New York in favor of Remington, Remington shall be reimbursed by the Government and paid any amount by which said credit shall be insufficient to cover any lawful charges arising out of the shipment of said arms and ammunition in accordance with the terms of this agreement.

In witness whereof the Government, by Dr. Ronan Bogram, Consul General at New York, and Remington, by its duly authorized representative, have caused this agreement to be executed on the 16 [1] day of August, A. D. 1934.

GOVERNMENT OF THE REPUBLIC OF HONDURAS,
By ——— ———.
REMINGTON ARMS COMPANY, INC.,
By ——— ———, [1] *Vice President.*

Attest:
——— ———.

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[1] Pencil note.

EXHIBIT NO. 974

["A"]

LUIS G. FERNANDEZ,
New York City, June 10, 1931.

REMINGTON ARMS CO., INC.,
29 Warren Street, New York City.
(Attention Mr. Geo. Rugge.)

GENTLEMEN: Pursuant to the conversation I had with you upon my arrival to New York two weeks ago, I wish to inform you that the extra five percent charged to take care of certain party in Tegucigalpa, as agreed by the writer, part of the total amount of $740.25 has already been paid up to Mr. Francisco Argueta, of San Salvador. This Mr. Argueta received instructions to receive this amount from Coronel Villanueva, or the party who was interested in Tegucigalpa. I effected a payment of $300.00 to Mr. Argueta in San Salvador, when you cabled me the $500.00. Before I left San Salvador I handed Mr. Argueta the amount of $150.00, making it a total of $450.00. Two days ago I received the attached cable from Mr. Francisco Argueta (Chico), as everybody nickname him, requesting of me to turn over some funds to a friend of his here in New York. Today I will hand this party here in New York the sum of $75.00; and, as you have arranged that this amount be turned over to us, I wish to report that as soon as the balance of the amount is turned over to me, I will remit to Mr. Francisco Argueta a bank's check for the balance of $215.25, thus completing this transaction.

I further state that this is my understanding, that Mr. Argueta is a relative of, residing in San Salvador, of the party in Tegucigalpa, Honduras.

Yours very truly,

L. G. FERNANDEZ.

Confirm $500 cabled Fernandez, San Salvador, Apr. 20/31.
240.25 paid by check to his order 6/11/31.
740.25

I received the amount of $740.25 in payments as noted herein.

L. G. FERNANDEZ.

EXHIBIT NO. 975

"A" DR

Mr. S. NORVELL, *President,*
25 Broadway:

DECEMBER 22, 1928.

We have recently had an example of how the U.S. Department of State at Washington, D.C., can help us.

In 1927 we had some nice business from the Dominican Republic for 30/06 Springfield cartridges, but this year those in charge of the purchasing for that Government made arrangements with a German concern to purchase .303 British rifles and cartridges for same. The rifles and cartridges were supposed to be new, and a unit price was set of $77.00 for each rifle, with a thousand cartridges. Our agent viewed the sample rifle, gave us the serial number, and we had our London office investigate. It was found the rifles were all secondhand war material and the cartridges were quite old, being purchased in Great Britain by the German concern at $12.00 each for the rifles and about the same price per thousand for the cartridges. Of course, the idea was to leave a big margin of graft for the Government people.

When we approached the State Department they admitted knowing something of the deal, but were glad to get the additional information we had obtained. They sent a copy of our letter, giving the full facts to our Minister at Santo Domingo. They are willing to shut their eyes to small graft on such transactions in Latin American countries, but they felt this was going too far, especially as the Dominican Republic still has a lot of unsettled American claims. Our agent, who knows nothing of our dealings with the State Department, which have to be strictly confidential, now reports the President of the Dominican Republic called for an investigation, with the result the contract for the .303 rifles and cartridges has been canceled, and the first installment is to be shipped back. Our chances of regaining the business are, therefore, very bright, for the President has issued an order that in future all purchases are to be made direct from manufacturers.

(Signed) MONAGHAN.

FJM N

("EXHIBIT NO. 976" appears in text on p. 2540.)

EXHIBIT NO. 977

[Representante de Manufactureros]

LUIS E. NICOLAS,
CALLE COLON NO. 38, APARTADO NO. 231,
Santo Domingo, Republica Dominicana, June 17th, 1930.
Cables Nicolas, Todos los Cofiges, Codiges Privados, Telefono No. 1262.

T§E REMINGTON ARMS CO., INC.,
29 Warren Street, New York City, U. S. A.

DEAR SIRS: I have the pleasure to acknowledge receipt of your kind letter dated June 10th, contents of which have been duly noted. I am glad that the situation has been cleared to your satisfaction and that of all concerned.

As per my letter of last mail, which you will surely receive together with this mail, as it could not be placed in the mails until after the steamer had left, you will be advised that the permit situation is the same, maybe worse at present, because the Army is now after a few generals that took the mountains against the actual Government. No permits will be issued to anybody while peace and tranquility are unstable.

The reason for my mail not getting the last boat was that a few minutes after it was written I was induced to hide by some friends who knew in advance that the order to imprison me had been given by Government officials. On Wednesday noon, after communicating with the general, I gave myself up and was locked in Columbus place at the Torre del Homenajo for 48 hours, after which I was released. The reason for my prosecution has been given as " For being a friend of Dr. Morales and selling arms and ammunition to the revolution." This charge was made by some competitors interested in wiping me out of the map and taking my agencies away, both of which things they will be unable to do.

I took advantage of this opportunity to celebrate my interview, which I reported in my last letter to you, with General Trujillo, who understood my position and assured me that nothing will happen to me in the future, and that as soon as conditions in the country warranted the extension of permits they will be granted, and that meanwhile no permits will be issued to anybody. I also informed him that I am no politician, and that my business was to work and sell everybody that came in power, and that he will find me ready to cooperate with him to that end.

I understand that conditions will soon be normal and that our activities will be resumed. Meanwhile I will be in my post, doing everything possible to complete the transactions now pending. With kind regards to all, I remain,

Yours sincerely,

LUIS E. NICOLAS.

EXHIBIT NO. 978

"A" DR

REMINGTON ARMS COMPANY, INC.,
Bridgeport, June 10, 1932.

MR. LUIS E. NICOLAS,
Apartado 231, Santo Domingo, D. R.

DEAR SIR: We acknowledge your letter of June 1 in respect to Mr. Naramore and his scheme of reloading cartridges for the Government. This subject was also covered by part of one of your letters of May 31.

You ask that we make up a detailed comparison of the cost of reloading cartridges as against purchasing the fully loaded cartridges. This is a rather difficult thing to do and give the proper effect to all factors which go into reloading cartridges. Even after you get through with such a comparison, it is far from giving a true picture, for the mere comparative costs do not reflect the loss sustained in ammunition going bad when reloaded by people outside the factory.

Then, of the greatest importance is the element of safety. Without the proper ballistic instruments for measuring breech pressure, velocity, etc., one can never be certain the ammunition is not dangerous to use.

We had an example recently in Peru of someone reloading cartridges which would have a salutary effect in warning against this method. The cartridges which were reloaded in Peru were sent to us for testing, and the first thing we did was to try them for breech pressures. We found they developed a breech pressure of 58,000 pounds to the square inch, whereas the maximum we would allow in our manufacture is 48,000 pounds to the square inch. This increased pressure was sufficient to endanger the life of the shooter. When loading powder one can never tell by merely weighing or measuring the powder the pressure it will develop, and the only way this can be determined is through the use of chronographs and pressure guns. Such ballistic equipment, as you well know, is very expensive and requires the services of a real ballistic engineer. Such a man commands a very high salary. This factor alone would increase the cost of reloading cartridges in Santo Domingo to such an extent as to make the reloaded product more expensive than to purchase from us.

There is another very important factor in reloading cartridges and that is such cartridges cannot be stored for an indefinite period and expected to be capable of use. Reloading machinery does not properly seal the bullet in the shell or seat the primer in such a way as to prevent moisture, oil, or other elements attacking the powder or priming mixture. When loaded at the factory, these precautions are always watched closely. Take, for example, our revolver and pistol cartridges: As you know, these are oilproofed by shellacking the primer and using asphaltum in the mouth of the shell to insure against oil from the arm attacking the powder or priming mixture. This cannot be done when cartridges are reloaded.

There are two very important elements in primers for reloading purposes. They have to be both nonmercuric and noncorrosive. Our primers are both nonmercuric and noncorrosive. Our competitors, Winchester, supply a nonmercuric and also a noncorrosive primer, but they have no one primer which embodies both these necessary features. Their priming mixture is not comparable with our Kleanbore priming, and, in fact, they have found it necessary in some of their primers to increase the size because their mixture was not as effective as ours, requiring that they load a greater amount of priming mixture in the primer.

When all is said and done, there is only one real primer in this market and that is the Kleanbore primer, of which fact you are well aware. The tests we make to insure our cartridges being able to withstand heat and humidity for a great period of time have clearly proved the secret of the success of our product is that our Kleanbore primer and priming mixture are superior in every respect to the product of our competitors. As you know, Kleanbore priming is patented and cannot be duplicated.

We should be very glad to have you watch this matter of reloading very closely, advising us what Mr. Naramore did during his stay in Santo Domingo. We imagine you are not going to find it very difficult to convince the Government they are adopting a very dangerous policy in considering the reloading of ammunition.

It is rather interesting to learn from your letter that Mr. Naramore is wearing the uniform of a captain of the United States Army. This, to say the least, is a serious breach of etiquette and perhaps a more serious charge could be brought. It is our understanding an officer of the Army is not supposed to wear the uniform except on active duty or state occasions. Certainly Mr. Naramore is not entitled to wear the uniform when representing the Lyman Gunsight Corporations, which was the case when he was in Santo Domingo.

With kindest regards,

Yours very truly,

——— ———,
Manager Foreign Department.

FJM N

EXHIBIT NO. 979

"A"

OCTOBER 27, 1932.

Mr. ROGER L. BRACKEN,
Export Manager Millers Falls Company,
Greenfield, Mass.

DEAR ROGER: Geo. Rugge has sent me from 29 Warren Street your letter of October 25. I have thought of you many times, especially since we had to move to Bridgeport, for I felt we could sympathize with one another. Why don't you stop off some time on your way to the big town?

I am very glad to confirm the good news Restrepo sent you. He is certainly doing a wonderful job for us, and the way he is taking hold of things the last few months has simply been a revelation to me. I don't think I ever had a man in the foreign field who kept us so informed of the complete picture of things as they were happening. Yes, indeed, you were due for thanks in having trained him and recommended him to us.

We had some unfortunate publicity in connection with the Colombian order, and for that reason we are now doing mighty little talking about it, so we ask you to hold it confidential.

Kindest regards,

Yours sincerely,

Remington Arms Company, Inc.,
F. J. Monaghan,
Manager Foreign Dept.

FJM N

("Exhibit No. 980" appears in text on p. 2544.)

Exhibit No. 981

[Air mail—Confidential]

Hernan Restrepo,
Bogota, September 10th, 1932.

Remington Arms Company, Inc.,
Bridgeport, Conn., U.S.A.
(Atten. Mr. F. J. Monaghan.)

Dear Sirs: I wish to confirm my cable dated the 7th inst. requesting your quotation on 2 million seven milimeter mauser cartridges for the Colombian Government. In this same cable I informed you that European competition is of $22.00 per thousand.

In due course I received your cable reply dated the 8th inst. informing me to meet the European mauser price.

Coronel Carlos Padilla, about whom I wrote you sometime ago, is a very close friend of the writer, as well as his family. They live next door to my home. This gentleman occupies now a high position in the Colombian Army and belongs to the Estado Mayor del Ejercito. In the strictest confidence Coronel Padilla informed me the Government wants to buy at the present time 2 million cartridges and informed me about the quotation they have from Switzerland of $22.00. These cartridges are intended for part of the Army that is being sent to Puerto Leticia on the Amazon River, our frontier with Peru—Puerto Leticia has just been taken by Peruvian insurgents but not in any way connected with the Government of Peru with whom this Government enjoys cordial relations. This matter is being treated in the Colombian and Peruvian Congress in secret conferences. However, this Government is taking the necessary measures in order to protect our national integrity.

Coronel Padilla put me in contact with Coronel Adelmo A. Ruiz, Chief of the Armament and Ammunition Dept. of the War Dept. with whom I had a very long talk relative to your products, quality, guaranty, etc. Coronel Ruiz is having today a conference with the Minister of War relative to this purchase and will give me a definite answer next Monday morning. Coronel Ruiz has also asked me to obtain your quotations in the following material for the Curtiss aeroplanes the Government bought sometime ago:

90,000 metal clips for aircraft machine guns (red).
90,000 Eslavones metalicos para ametralladoras Aereas.
Quotations on different types of bombs for same aeroplanes.

I do not know if you manufacture the just-mentioned material, and hope you will be able to give me this information.

Coronel Padilla is giving me his full support in order to get the business and is keeping me confidentially informed of this matter. Indirectly, I understand he wants a commission; however, I may be wrong and am keeping a very diplomatic attitude until further developments. This gentleman also informs me he is doing his best in order to induce this Government to buy 40 million cartridges.

At this moment I cannot give you any further information, but will do so after my interview next Monday. Anyway, you can rest assured that I am doing my utmost to get this business and that my connections are of the best. After you take note of the contents of this letter, which you will treat in a most confidential way, kindly destroy same, as this request was made to the writer by the War Dept.

Cordially yours,

(Signed) Hernan Restrepo.

Exhibit No. 982

November 12, 1930.

Mr. Herman Restrepo,
Bogota, Colombia:

We duly received your letter of October 16th, and it was quite encouraging to learn that Genl. Angel wishes prices on 7 m/m pointed cartridges, on which action will be taken toward the end of this year.

We are well acquainted with the 7 m/m Mauser pointed cartridge which the Colombian Government requires, as we operate very closely with the du Pont Company, who had their Government business representative visit the cartridge factory in Bogota two years ago (Mr. N. E. Bates), and consequently we are in a position to meet the requirements of the Government in all ballistic details. You mentioned an initial velocity of 850 meters, which we can meet, but, of course, there is always a tolerance, and we presume it will be approximately plus or minus 10 meters.

The powder we would supply would be du Pont I.M.R. powder, which the Government is familiar with. The primer would be our Kleanbore type, which eliminates rusting, pitting, and corrosion of the rifle bore, and this is an advantage which the Government will readily recognize as compared with the old types. We shall be glad to supply a bullet jacket of either cupro nickel or gilding metal, whichever is preferred, and we presume it will be the latter.

The cartridges will be packed 2— to the carton and 10,000 cartridges to the wooden case, each such case to be lined with tar paper. However, if the Colombian Government desired, we would supply tin-lined cases, for which there would be an extra charge of 75¢ per thousand in addition to the prices mentioned hereafter.

All manufacture and inspection would be in accordance with the Remington standards.

Now we come to the question of price. The prices we are going to mention are net to us F.A.S. New York; and if any commissions have to be paid to intermediaries in Bogota whom you might find would be helpful in obtaining this business, the price will have to be increased by the amount of such commissions. Furthermore, the prices are based on present market prices of such materials as lead and copper; and in the event of any violent fluctuation in such prices, our price would have to be changed accordingly. It is mighty difficult to sit here in New York and name a price schedule without knowing the full picture in Bogota, but we shall have to give you some basis on which to work and then let you use your best judgment in submitting them.

Our price net to us f.o.b. New York for 1,000,000 cartridges is $27.00 per thousand; $26.50 per thousand for 2,000,000; $26.00 per thousand for 3,000,000. As we stated above, there will be an additional charge of 75¢ per thousand if tin lining is required.

Deliveries would be 300,000 two weeks after receipt of order, 200,000 three weeks following, and 200,000 weekly thereafter. These deliveries would be increased somewhat in the event of an order for 3,000,000 being placed. The initial delivery of 300,000 in two weeks would be dependent on business that may come to us in the meantime from other markets, but in any event we would commence deliveries of 200,000 at least five weeks after receipt of order with the same quantity weekly thereafter.

You mentioned the government will probably receive quotations from other manufacturers in Europe and here, and certainly we do not want to lose this business because of some small difference in price and we are relying on you to learn of bona fide quotations made by others to the end that we will be afforded an opportunity of making any slight adjustment that may be necessary to assure the business reaching us. So far as American manufacturers are concerned, we are quite sure the prices mentioned will be the lowest, but this may not be entirely true with European competition. However, in the latter case you know European manufacturers promise many things which they do not fulfill, both in deliveries and quality, and you can stress these points.

You will probably desire to bring every influence you can to bear to obtain this business for us, and as a suggestion we should like to mention that in some instances we have found it advisable to diplomatically ask the Minister of War or the person who will have the final say in placing the order, who he would like to have us work with as our agent. In other words, who is the intermediary to see and pay commission for the business. Such commission as we mentioned before, would have to be added to the prices we have given you.

The prices we have quoted are quite the lowest we have ever entered on 7 mm cartridges, for we are extremely anxious to obtain this order and have sacrificed profit. However, you will have to be reimbursed for your work in event of the order being placed, and the prices contemplate a small commission for you; but we ask that you leave the amount for determination when the business assumes a more definite aspect.

We eagerly await your further advices, and with kindest regards we remain,

F. J. MONAGHAN, *Export Manager.*

FJM
JM

EXHIBIT NO. 983

["A"]

PALMER & COMPANY,
570—Moreno—574,
Buenos Aires, August 22nd, 1933.

REMINGTON ARMS CO., INC.,
Bridgeport, Conn., U. S. A.

DEAR SIRS: This will confirm the exchange of cables with you as follows:

Yours of the 19th: "Effective orders dated after August twentieth, twenty-two caliber cartridges increased ten percent, firearms caliber twenty-two percent, firearms all other calibers and gauges fifteen percent. Advise customers."

Yours of the 19: "22 meaning is not clear; 10% over list 14 or merely eliminating 10% recently allowed."

Yours of the 21st: "Fourteen list of twenty-two reinstated without discount or confidential."

From all of this we understand that on caliber .22 cartridges we have to sell strictly in accordance with list no. 14, no longer offering the 10% discount which has recently been allowed. We understand further than on .22 caliber rifles we are to advance the prices of list no. 14, 20%, and we are to advance 15% the prices of all other rifles and of all shotguns. As you have said nothing about cartridges larger than cal. 22, we take it that list no. 14 applies to such cartridges with the 10% confidential which has heretofore been allowed on certain items.

Immediately upon receipt of your first cable we got in touch with our customers and we have pleasure in sending you by this air mail 4 orders, that is our orders nos. 1193, 1194, 1195, and 1196.

Order no. 1193 is really for Mr. Werns, but he has arranged for Mr. Redaelli to receive the goods for him so as to cut down the incidental charges. So far as you are concerned, order no. 1193 is to be shipped and invoiced to Mr. Redaelli and it is unnecessary to put Mr. Werns' name on any document or on any case.

Rifle model 33 was formerly priced at $3.30 each. Mr. Werns would like to get this price on order 1193; if, however, this is impossible it is understood that you will bill at $3.80, which is the price according to list no. 14, that is to say these rifles should be billed at all events at the prices prevailing before you sent your cable of the 19th, and this applies to the model 34 also. With reference to the packing of the 3 model 34's in each shipment, please put them in boxes such as are used for the model 33, so that the Custom House inspector will not notice any difference at all in the boxes when the cases are opened. Furthermore, please put the boxes which contain the model 34's right in the center of the case, that is the center from side to side and also the center from top to bottom. If these instructions are all carefully followed it will be very bad luck indeed if the Custom House inspector discovers that there are some repeating rifles in this shipment. Mr. Werns is not only anxious to save the additional duties on repeating rifles, but even more he wishes to avoid the delays incident to the entry of repeating caliber .22 rifles. Strictly speaking, repeating rifles of any caliber should not come into the country at all but single shot 22's can come in.

Order no. 1194 requires no special comment, it being understood, of course, that you will give the 10% which was allowed before you sent us your recent cable.

Order no. 1195 requires no special comment either, except that it is subject to the same condition. Please note, however, that when drawing on Gonzalez & Russel for this shipment you should deduct the credit of $13.—U. S., which you promised to give them in your letter of August 11th, 1932. We are quite sure that this credit has not been deducted from any draft up to the present time.

Order no. 1196. You will note that this order is for Liprandi, De Eoni & Scholberg of Montevideo. This, of course, brings up again the question of payment and credit. Our suggestion, is, therefore, that you hold order 1196 for a few days, as Mr. Liprandi has promised an additional order for other sizes. This we will probably receive tomorrow or the next day. Consequently, on the 25th we expect to write you again by air mail and at that time we will answer your letter of the 9th inst. about Liprandi's payments and at the same time take up order no. 1196 and the additional order which we expect to receive. It is understood, however, that if order 1196 is finally accepted by you it will be billed to Liprandi at the prices of list no. 14, but we will get the discount of 10, 10 & 2%, which we have been receiving lately on Liprandi's business.

You will have noted that we have sent you by last air mail an order for 800,000 22's for Kirschbaum. This was, of course, mailed before we received your first cable.

In one of the paragraphs above we have been rather explicit about the packing of the rifles for Mr. Werns and we have done so because of what happened in connection with a recent shipment for Gonzalez & Rossell. In our letter of June 6th we asked you to pack the caliber .44's in the center of the cases and your letter of June 23rd indicated that you understood just what was wanted. But, apparently the man who actually did the packing did not understand it at all because in each case or cases (we do not know at the moment how many there were) the small calibres have been put around the outside of the case from top to bottom and the 44's have been put in the center of the case also from top to bottom. The result is that as soon as the top of the case is lifted one sees immediately the caliber 44's, which is, of course, just what we wanted to avoid. The Custom House inspector immediately discovered that the case did not contain only small calibers and the large calibers have been seized. Gonzales & Rossell say they will have to abandon them. So far they not made any very urgent claim on you, seeming to think for some reason that they did not explain their desires very well. If we were in their place we would certainly not take such a charitable view of the situation and we do not think that you would either. In any event, we will let the matter rest for the present and if the customer brings it up again we will advise you. In the meantime, however, it would be well to take up this incident with your packer to avoid repetition of it in the future.

Very truly yours,

pp. PALMER & COMPANY,
(Signed) THURSTON V. V. ELY.

TVVE.HS

Exhibit No. 984

"A"

Otto Kuhlen, Unico Representante Para of Brasil, da Remington Arms Company, Inc., New York, 29 Warren Street, a Maior Fabrica do Mundo de Armas-Minicoes-Cutelarias. Telephone: 2-4106-Caixa Postal 495

Marca Registrada—Remington, UMC

Sao Paulo, *21 de October de 1929.*
Trav. do Commercio, 2—1. candar.

Remington—reg. U. S. Pat. Off. End. telegraphico, Remac; codicos Usados, Bentley; A. BC. 5th ed. Borges

[Answered Nov. 8, 1929. G. Rugge]

Mr. George Rugge,
General Export Manager Remington Arms Company, Inc.,
29 Warren Street, New York City.

Dear Mr. Rugge: Regarding office rent, you know that some time ago the late Mr. Kuhlen advised you that he had arranged with the landlord to reduce the rent from Rs 650$000 to Rs 500$000, but I do not know whether or not you are aware of the fact that there was not any reduction because the space rented for the company's offices comprises the two large front rooms and the small side room, and since Mr. Kuhlen occupied the small room for his private cutlery business he paid a separate rent of Rs 150$000 for it and charged the Co. only Rs 500$000 for the two large rooms. Now, the small room has been vacant since Mr. Kuhlen died, and, as I have no use for it, I have arranged with the landlord to take it over, and, as he does not seem to be able to rent it to somebody else, he proposed to let me have the two front rooms for Rs 550$000, or, then, I would have to keep everything at the rent Mr. Kuhlen contracted; i. e., Rs 650$000. I decided that it is best to pay Rs 550$000 for the rooms I occupy and let the small one go. Therefore the rent to be paid at the end of this month will be Rs 550$000.

I want to suggest to you that as soon as everything is settled you permit the changing of this office to more suitable and cheaper quarters. There are plenty of offices for rent in modern buildings centrally located which can be rented much cheaper; I say for about Rs 300$000 or less. I know that you will send me your instructions in due time regarding this matter.

The Christmas season is approaching. I had better ask you now for advices as to what to do in regards to giving presents to the Government officials who are rendering us services in connection with permits.

Last year Mr. Kuhlen distributed Christmas presents amounting to $300.00 amongst his friends of the Regiao Militar in S. Paulo and Mr. Bispo de Araujo, Consul Florambel, Col. Lapagesse, and a Capt. Soares, of Rio. Mr. Moura, of J. J. F. & Cia. also received a present.

The amounts spent on each person were as follows:

General Hastimphile	Rs 150$000
Capt. Torres Homom	140$
Colonel Rezonde	140$
Capt. Cuisserat	240$
Major Moreira	240$
Mr. Bispo de Araujo	700$
Consul Florambel	300$
Col. Lapagesse	150$
Capt. Soares	240$
Mr. Moura	200$

Since the new permit regulation has gone into effect it has not been necessary for this office to utilize the services of the officers of the local Regiao Militar. Our local clients now deliver their own applications and when necessary they go themselves to the regiao for any information or favor they may need. As everything in connection with permits has proceeded normally I have not yet had the opportunity to ask for any favors from these local military authorities.

The only person who has been rendering us valuable services just now has been Mr. Araujo, of Rio. He has been giving me prompt information about the applications from our clients that arrive at the war dept. When I give an application to a client for signature I immediately advise Araujo. He is on the lookout for it in Rio and puts it before the minister for dispatch as soon as it arrives at the war dept.

If you are going to decide to discontinue the practice of giving Christmas presents to any government officials from Rio as well as from S. Paulo, I think you should make an exception in the case of Mr. Araujo. A Christmas gratification to him in addition to what he gets every month will act as an encouragement to his continuing to give us his good services in Rio.

After all, the discontinuance of this practice, with the exception named, may be the best thing to do. We are not any longer dealing with these people direct in connection with permits, so they may not accept anything from us, but from the clients who no doubt will not forget them. Besides, these people were Mr. Kuhlen's personal friends and he needed their friendship for the reason that applications for permits were filed from this office. Now that their friend has died and the permit regulation has changed they may not expect anything.

However, the decision about this matter will be entirely up to you, and I know that you are not going even to give the matter much thought, but that you already have in mind just what to do. Please, advise me in due time in connection with this matter.

Very truly yours,

A. M. Barata.

Exhibit No. 985

January 31, 1930.

Mr. A. M. Barata,
Caixa Postal 495, Sao Paulo, Brazil.

Dear Mr. Barata: Your letter dated January 4th covers certain expenses you outlaid during the holiday season and we approve all the items of this nature shown on your statement for the month of December. It is quite all right to give the Christmas bonification to Mrs. Felice and hope she is quite satisfied with the gift. Glad to note that Mr. Moura and Capt. T. H. were delighted with what you presented to them. Keep up the good work to have our operating expenses as low as possible.

Your letter dated January 7th confirms the cablegram you sent covering your visit to the Rio Embassy in conjunction with the embargo and detained shipments. It is certainly good to note that there continues to be prospects of the Minister of War allowing the shipments held up to pass into the hands of the consignees and we hope that ere this letter reaches you something as been done in this regard.

Just as soon as you have completed your investigation into the report that shipments to the Amazon District will again be permitted and your detained shipments be released, please let us hear from you. We are perfectly satisfied with your trip to Rio.

Yours very truly,

Remington Arms Company, Inc.,
Geo. Rugge, *Genl. Export Manager.*

GR N

Exhibit No. 986

[A. M. Barata, representante Remington Arms Company Inc., Sao Paulo, Brazil. Teleph. Central 4106, Caixa Postal 495]

"Remington"

Armas, Municoes e Cutelarias.
Sao Paulo, June 23, 1930.

[Pencil note Ans. 8/6/30—M.]

Remington Arms Company, Inc.,
29 Warren Street, New York City.

Gentlemen: In a previous letter I have informed you that I was leaving for Rio on the 8th instant for the purpose of also investigating about the Government business to which you referred in your letters dated May 9th and 16th.

The interest on the part of the present Government to purchase 7 m/m cartridges abroad is not recent. The nearest time since which the Government has first contemplated that purchase is about one year ago. Although there are stories to the effect that such purchase has been decided upon since a longer time, we cannot err to accept as the real truth that the decision was made in the early part of 1929. Such intention on the part of the Government was first known at that time, and from that date began the activities of the sellers to secure the Government business. All this I know from information gathered up in the office of the American commercial attaché in Rio and from individual army officers whom I know in Rio and who could post me with positiveness on the case.

Knowing, in fact, that the Government had been even from such a long date interested in the purchase of 7 m/m cartridges from abroad, I immediately put into execution my plans to find the right sort of connection with the Government. From what I investigated I did not consider Messrs. L. Figueira & Cia a good medium for my case. Mr. Forman, of the Colt Company, informed me that he has been depending on them for over six months to get orders from the Government without any concrete results, and I was also informed that they have not been able to do anything in the way of getting business for the representative of the Curtis-Wright Export Corp., of New York, although through other mediums the French have sold airplanes to the Government.

I preferred, therefore, some firm that has not only been selling to the Government but that has also enough pull and power to obtain the Government's preference to a proposition it offers irrespective of how attractive other propositions made by different concerns may look to the Government. I found this firm, one of the partners of which is Dr. Firmino de Mello, who is son-in-law of President Washington Luiz. There are two other partners who are very well known in Government circles. The name of one of them is Dr. Max Leitao, with whom I instituted friendship and dined together a couple of times.

Dr. de Mello, in our first interview, told me right away that he knew about this business. He evidently had heard it commented upon by high officials. He had an idea that orders from 7-m/m cartridges had been placed abroad, in England, Italy, Austria, and with the Fabrica Nacional of Sao Paulo. He knew that such orders had been placed some time ago. He was not sure that all the Government requirements for such cartridges had been filled. He would find it out for me. He knew further than an American concern had offered a bid. I mentioned the name of the Western Cartridge Company; he remembered it, but he stated that this concern did not get an order. A question of prices, he added. He spoke about the claim made by Western that their cartridges were the best on account of the bullet jackets being of a very soft metal composition which would cause the prolongation of the life of the rifle barrel. A bullet jacket of such composition could never injure the rifling of the bore in the barrel because it being so soft it did not offer much pressure upon the rifling. He remembered the term Lubaley by which Western called these cartridges. Mr. de Mello knew everything and I wondered whether he had ever been approached by somebody interested in getting through him this Government business. As we continued to talk he revealed to me that the Companhia Imperial Industrias Chimicas do Brazil, Ltda., Nobel's Brazilian subsidiary, had some time ago approached him to work for them on this deal on a split commission basis. His firm, the name of which is Souza Sampaio & Cia., Ltda., Rio, refused the proposition because it only works for full commission, therefore it works only direct with principals. No wonder, then, that Dr. de Mello was so fully acquainted with the matter about which I approached his firm.

Of course, the only thing left for me to do was to ask him to investigate for me whether in fact the entire order had been placed in Europe, and give me a confirmation on all his above statements.

I had to wait quite a few days for his reply. In the meantime I kept on calling on them to cement my friendship with the partners of the firm. Finally he reported to me that Nobel was the British concern that got a part of the business, the balance having been divided up between an Austrian and an Italian factory, the names of which he could not remember, and the Fabrica Nacional in Sao Paulo. He told me, furthermore and confidentially, that the business for the European factories was obtained through intervention by their respective ambassadors. That the Italian ambassador, upon knowing what the price quoted by Nobel was, went personally to the President of the Republic and obtained his consent to cutting down the share given to the British factory and giving a part of the order to the Italian factory. He also confirmed that the American factory's bid was turned down.

Knowing all the facts of the case which I could know through Mr. de Mello's firm, I asked them to be on the lookout for me for future Government requirements, which they promised to do, and added that in future occasions they would act as intermediaries for me. They have all the facilities in the world to get business from the Brazilian Gov't, which is easy to understand. Dr. Mello assured me that in the future our company would not miss the chance of making a bid, and that it might not be very long before the Gov't required more ammunition for the army. By the way, he was not sure about the quantity purchased in this instance, but the figures you gave me in your letter seemed to him to be exaggerated. Besides my conversations with Dr. de Mello, the President's son-in-law, I had many separate talks with the partner, Dr. Max Leitao, who assured me of all his cooperation in future cases.

The person who put me in contact with Messrs. Souza Sampaio & Cia., Ltd., is a civil engineer of high prestige in social and commercial circles of Rio. His name is Clovis da Norbrega, and he is an old friend of mine. He is a cousin of the Governor of the State of Rio Grande do Norte. He introduced me to various congressmen from his State and promised to do everything he possibly could for me in Rio.

My stay in Rio this time was longer than in previous occasions, but it was not useless insofar as our future interests are concerned. With the connections I have made I can assure you that no Government business shall be given in the future to any of our European competitors without our being given a break. I dare say that a firm as influential with the Government as Souza Sampaio & Cia., Ltda., can shut out any competitors having even ambassadors as intermediaries.

I could not obtain from Dr. de Mello the prices quoted by the European factories, but I am going to find a way of getting this information, which is very important for us to know so as to enable us to determine whether we could have competed with the other factories for this business. I will also endeavour to find out the exact quantities ordered from each factory. Of course, it should be appreciated that Dr. de Mello would not feel inclined to ask the Minister of War or some other high official for too many details which these officials might not wish to impart to him just because he is the President's son-in-law. He would have to be discreet in his endeavours to do me a favor.

My comprehension of the reason why this matter was never brought to my attention during the time I have been in charge of this office, and to the attention of Mr. Kuhlen since early last year or even before that until the days he began to feel ill, is based on the fact that this office has never had a firm like the one I have now arranged to be on the look-out for future Government business for us. Such a connection is essential if we want to get Government business in this country, and it should be also considered advisable that the representative take one or two days run to Rio every two months at the most to make personal investigations in that direction. And who knows that it has been for these reasons that for many years, in fact as far as I remember since the time I have been with the company, we have never sold anything to the Brazilian Government, except in 1920 or 1921, at which time we sold some Colt pistol cartridges to the Brazilian Navy. I believe I am not wrong on this statement, however you may wish to do me the favor of informing me whether I am or not.

I trust that you will find that I am giving you satisfactory information on the investigation I have made in Rio about this Government business, and if there is anything else that you wish to know about the matter which I have not reported fully and clearly please let me know, so that I may satisfy you. Naturally, I regret that our company was not favored with a share of this Government business.

Yours very truly,

(Signed) A. M. Barata.

Exhibit No. 987

["A" BR]

August 8, 1930.

Mr. A. M. Barata,
Sao Paulo, Brazil.

We duly received your splendid report of June 23rd on the subject of government business. You are to be congratulated on the clarity and conciseness of the manner in which you have presented us with the facts and your deductions therefrom, followed by your preliminary steps to insure our having the proper contact for the future.

We absolutely agree with you that in government business, the prime essential is to have the right connection; otherwise price, quality, or other considerations are of no avail.

Furthermore, it is necessary to nurse these contacts from time to time; but the extent of the time and money to be employed has to be gauged by the potential business that might ensue. Before long you will no doubt know more on this score and in particular the prices we would have to quote in order to obtain the business. Then we can tell if we can meet competition.

The fact we are now ready to manufacture Tracer ammunition in 7 m/m, 7.65 m/m or similar rifle cartridges, will be a big advantage to you. You know we manufacture armor-piercing cartridges, for the 50 calibre Colt gun, and we are the only manufacturers in this country. Nobels also make them and perhaps some continental manufacturers, but Colt's has told use our product is vastly superior to any competitor. You will be glad to know we are prepared to supply Tracer type of bullet in this 50 calibre. Colt predicts the business in this arm will grow at very rapid strides, and no doubt Mr. Forman is pushing its sale. It is used for antiaircraft work and against tanks.

You are quite right. We have never received any Brazilian Government business, although we had many inquiries for prices from Mr. Kuhlen, but nothing ever came of them.

Awaiting your further reports with keen interest, we remain, with kindest regards,

F. J. MONAGHAN, *Export Manager.*

F.M—JM

EXHIBIT NO. 988

REMINGTON ARMS COMPANY, INC.,
October 24, 1930.

MR. A. M. BARATA,
Caixa Postal 495 Sao Paulo, Brazil.

We have to hurry in order to catch today's mail. The latest news we have this morning is that the Brazilian Government resigned and the new people are in power. What the developments are within the next few days remains to be seen and no doubt we will have your cable advices as to the prospects for business.

Of course the change in government is no absolute reason to our way of thinking that there will be no further inquiries for government supplies. but rather we are inclined to think the new government will consider it necessary to replenish their stocks of cartridges, and perhaps even build up the stocks beyond the point at which they were before the trouble. Of course we are wondering what your status will be with the new Government, that is to say, if you will be accepted as a friend in view of your negotiations for attempting to sell those formerly in power and we await with interest your advices on this point. The same thought holds good in respect to Figueira & Co. Will they be the right people for the future?

Now for the most important subject of this communication. All week we have been exasperated beyond words at the absence of definite advices from you by which you understood what we were doing and the instructions we were giving you. Here is the picture as far as we can give it to you quickly of the position in which we were placed. The Brazilian naval attaché in Washington, Mr. J. C. Aguirre, has always, and this means for years past, done his buying through a man in New York and for good and sufficient reasons at the present moment we do not want to give you his name. The quotations are made to Commander Aguirre in the name of the manufacturer and a commission is included for the man in New York. We found our competitors in this country were quoting through this channel and, therefore, it was obligatory for us to place our quotations through this channel, because we know this channel was not adding as much for commission as your intermediary. You know in previous communications we have called your attention to the fact that we believed the commission of 15% was entirely too much.

When we gave our quotation to Commander Aguirre we realized that you not having had much experience with these government transactions might have in some way left us liable for commission to Figueira & Co. in the event of an order reaching us through Washington and yet Figueira & Co. have absolutely nothing to do with influencing the order to us. Whether they influenced it or not we certainly could not pay commission to two people.

Where you appoint a man as your agent and do not do it in the proper way, he can claim commission no matter through what channel the order reaches the manufacturer, and therefore, we always keep this in mind and make our arrangements to protect against such a happening. The best way to accomplish this is to quote the intermediary as a principal; in other words, when we give Figueira & Co. a quotation, that means he has to buy the goods from us at the price we give him less the 15% or whatever other commission may be decided upon. The same holds true when we give a quotation to Commander Aguirre through his agent here. We are always careful in confirming any of these quotations not to leave any loopholes for people to take advantage of.

Information reached us through more than one channel that Figueira & Co. were working for practically every American ammunition manufacturer, and reports we have had on them from people whom we know are to the effect that Figueira & Co., while well placed with the government that was, have to be watched very closely, as they are tricky.

In one of your cables you told us the inquiry from the American commercial attaché was instigated by F. & Co. Maybe you are right; but a couple of other ammunition manufacturers were told by their representative in Rio that they instigated the inquiry through the commercial attaché, so you can use your own imagination as to how much truth there is to this story.

When we cabled you that inquiries were reaching us through various channels, we really had in mind only one which we would recognize, and that is the Brazilian naval attaché; and our cable was intended, as it clearly read, to make sure you had not involved us so we would have to pay commission to F. & Co. in the event of an order reaching us through Commander Aguirre. You did not answer our question, but instead you cabled in defense of F. & Co. and absolutely evaded our question, which you must not do in future. At the same time you probably inspired the cable we received from F. & Co. they sent the same day, saying they were working in cooperation with you.

The day before yesterday we cabled you our only quotation was to the Washington attaché through his agent, and, of course, we meant the Brizilian naval attaché. This was in reply to your cable to advise you confidentially the names of others making inquiries. At the same time we cabled F. & Co., but did not mention the word agent; and yet in the cable received today from F. & Co. they asked us the name of the Washington attaché and the agent, indicating you showed them your cable. We certainly expected a cable from you ackonwledging this cable we sent you, for we told you to cable acknowledgment, yet you have not done so. Today we answered Figueira's cable by cabling them, "We quoted Brizilian naval attaché." We did not want them to know there is any agent involved, and we are going to refrain from saying so directly to them.

Early this week we received an inquiry from Commander Aguirre for 200,000 .303 British pointed cartridges for machine guns, and we quoted him, receiving his order two days ago, which is now in course of preparation; and, even in spite of the change in government, we understand the order is to go through. Of course, this is confidential information for you.

This morning we received a cable from Figueira asking for prices on 100,000 .303 British pointed, and we cabled them $36.00 per thousand ci. i. f., which includes 15%, as they requested. For your confidential information the price Aguirre quoted the Government was $34.00 per 1,000.

The prices Aguirre gave the Government on 7 m/m are about $1.00 per 1,000 lower than what Figueira quoted the Government. These are two concrete examples, substantiating our belief that 15% was too high.

You can recognize you have left us completely in the dark as to what you were doing with F. & Co. and we can imagine they left you the same way until they found we had another channel when they immediately awoke as evidenced by their cables to us.

The situation as we see it now is quite complicated and being without any definite advances from you that your negotiations with Figueira & Co. have not left us open to claim from them in the event of business through Washington on 7 m/m's, we beilive the present is the proper time to conclude and finalize all your negotiations up to the present time with Figueria and start everything with a clean slate. The change in Government will make this possible. If you believe there is any way that you have left us open to claim or the least chance of it, and even if you do not think so, we believe it will be well for you to close all negotiations with Figueira and repoen them afresh. Furthermore, you are not authorized to make any arrangements for us with any intermediary without all the details being submitted to us in advance.

Yesterday we received your cable telling us the commercial attaché was cabling the Commerce Department to ascertain from the War Department here whether they used gilding metal or Lubaloy. The cable has not yet arrived, but when it does you may be sure the answer you want will be sent and it will be the truth—namely, Gilding metal. Even the Commerce Department at Washington laughs about this Lubaloy for they know Figueira was saturated with a lot of Western's propaganda.

In all these negotiations for Government business, you as well as ourselves have been working up toward the top instead of the way some big companies do—from the top down. In other words, you find what you believe is a good intermediary and then try to reach the Minister of War or whoever else has authority in placing orders. The du Pont Company makes it a practice of finding out who is the right man to work with, the Minister of War, the Head of the Ordnance Department, or whoever else it may be, and then asks that authoritative person who it believes would be a good agent to appoint for negotiations. But again we want to say no details are to be arranged by you with an intermediary without our authority after we have received complete data from you.

Mr. Rugge just mentioned that perhaps Sant' Anna will be acquainted with the new powers and it may be well for you to seek his cooperation.

In hurrying to catch this mail we have not the time nor inclination to couch this letter in any but plain unvarnished English, and, as a matter of fact, that is perhaps the best way to give you the picture of things as they are disturbing or have been disturbing us all week.

Hoping you are well, we are

——— ———, *Export Manager.*

EXHIBIT NO. 989

REMINGTON ARMS COMPANY, INC.,
Bridgeport, November 30, 1932.

Personal and confidential.

Mr. A. M. BARATA,
Itajuba Hotel, Rio de Janeiro, Brazil.

DEAR SIR: Since we received your letter saying the Government was going to close up the local ammunition factory in Sao Paulo, we have given a lot of thought to that situation, for we recognize it is a mighty important one to our interests. What we are going to say to you in this letter we want treated strictly confidential.

In the first place we want to tell you that nearly all the companies in this country and Europe, who would be benefited by having the local factory out of the way, agreed some time ago not to enter bids with Mr. Matarazzo for his company, for we all felt by standing off the factory would eventually fail. This is the reason we never turned a sympathetic ear to any of the overtures made through you for us to become interested in the purchase of the company.

What we would like most to see is the Government take over the factory and scrap machinery, especially that part intended for the manufacture of revolver and pistol ammunition and shot-gun cartridges. If the Government continues in their present intention of closing the plant, we would want to do everything possible to see that the Government officials responsible for the closing of the plant went through with their plans and actually had the machinery scrapped. For the Government people to allow the machinery to come into the hands of any new group might result, as it did before, in the equipment being used to the detriment of the Government.

It might be that some incentive could be given the Government official who was responsible for the scrapping of the plant to see that he went through with these plans. With all the ammunition factories practically broke nowadays, not much could be done in the way of paying worthwhile money, but we are thinking the result possibly could be accomplished if handled diplomatically, at a very small cost.

One thing is certain, we do not want to see this machinery get into the hands of some other group who would be relieved of all the indebtedness of the present company and thereby be in a better position to bid with us than is the present company, for the statement you sent us of their financial status we consider a very poor one.

What we want you to do is to watch this situation from every angle and add any propaganda you can with the proper Government officials to the end that the plant be scrapped.

This is a rather sketchy plan we are presenting to you and you want to be careful you do not make any false moves. As a matter of fact you should do nothing where you would appear as a principal. First and foremost, we want every bit of information from you as to what transpires and is intended in connection with this local plant. Your suggestions as to what could be done in furthering our interests in connection with this factory will be anxiously awaited by return air mail.

In watching the situation you have to be careful to see that none of our competitors make any moves to purchase the equipment of the local plant.

Yours very truly,

——— ———,

Manager, Foreign Department.

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MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY

UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 12

DECEMBER 11 AND 12, 1934

RELATIONSHIP OF MUNITIONS MAKERS TO THE GOVERNMENT

INTERNATIONAL CONNECTIONS IN THE CHEMICAL INDUSTRY

Printed for the use of the
Special Committee Investigating the Munitions Industry

UNITED STATES
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WASHINGTON : 1935

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MUNITIONS INDUSTRY

U.S. Congress. Senate.

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UNITED STATES SENATE
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83876 WASHINGTON : 1935

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CONTENTS

Testimony of— Page
- Beebe, H. F., manager foreign department, Winchester Repeating Arms Co 2735–2742
- Bradway, F. W., assistant general manager, smokeless-powder department, E. I. du Pont de Nemours & Co 2681–2716–2805
- Casey, K. K. V., director of sales, smokeless-powder department, E. I. du Pont de Nemours & Co 2638, 2640, 2645, 2652, 2654, 2669, 2683, 2688, 2692, 2698, 2706, 2715, 2718, 2728, 2732, 2744, 2747
- du Pont, Irénée, vice chairman of board of directors, E. I. du Pont de Nemours & Co 2639, 2643, 2651, 2654, 2688, 2709, 2730, 2741, 2754, 2766, 2781, 2784, 2806
- du Pont, Lammot, president E. I. du Pont de Nemours & Co 2641, 2653, 2668, 2684, 2689, 2705, 2707, 2717, 2727, 2732, 2734, 2740, 2746, 2752, 2766, 2782, 2786, 2793, 2799, 2803, 2808, 2815.
- du Pont, Pierre S., chairman of board of directors, E. I. du Pont de Nemours & Co 2712–2819
- Sparre, Dr. Fin, director development department, E. I. du Pont de Nemours & Co 2699–2711
- Swint, W. R., director foreign-relations department, E. I. du Pont de Nemours & Co 2784–2788, 2791–2794, 2802–2808

Relations of United States Army and Navy officers with munitions makers 2644

Business with the United States Government 2661

Relations of du Pont Co. with the State Department 2672–2683

Submergence of Government powder under water at Old Hickory 2679

Influence of munitions companies on the policies of Government 2691

Use of United States Government guns for commercial demonstrations 2700

National policy regarding munitions shipments to foreign countries 2706

Attitude of du Pont Co. toward embargoes and legislation regarding embargoes 2717

Question of international disarmament in 1922 and its relation to the chemical industry 2754

International connections in the chemical industry 2781

INVESTIGATION OF MUNITIONS INDUSTRY

TUESDAY, DECEMBER 11, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was resumed a 10 a.m. in the Finance Committee Room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), Barbour, Clark, and Pope.

Present also: Stephen Raushenbush, secretary to the committee.

At this point the committee concluded that part of the testimony which is incorporated in Part XI of these hearings, "Chemical Preparation following the War and Interchange of Military Information."

The Chairman. The committee will be in order.

Senator Clark desires on the stand this morning Mr. Casey and either or both Mr. Irénée du Pont and Mr. Lammot du Pont.

TESTIMONY OF IRÉNÉE DU PONT, LAMMOT DU PONT, AND K. K. V. CASEY

Senator Clark. Gentlemen, I desire this morning to examine somewhat briefly into the question of the relations of private munition companies to the United States Government, particularly the War and Navy Departments. I will first read a letter from Mr. Phellis, general director of sales, to Mr. Irénée du Pont, president, room 9042, building, dated November 26, 1919, which I ask to have marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 990" and appears in full in the text.)

Senator Clark. That letter reads:

> Subject: Nobel agreement.
>
> Before leaving today Mr. Pickard asked that we send you copy of the attached letter from Maj. K. K. V. Casey for your information.
>
> C. W. Phellis, *General Director of Sales.*

I also desire to read extracts from a letter, which I will be glad to read any other parts in, which you gentlemen desire read, but I will read the parts I consider important, being a letter dated November 25, 1919; that is, memorandum to Mr. F. W. Pickard, vice president, signed by Major Casey, director of sales.

(The letter referred to was marked "Exhibit No. 991" and is included in the appendix on p. 2820.)

I think this letter may have been used in Senator Vandenberg's examination the other day, although I was not here.

Mr. CASEY. Not this one, Senator.

Senator CLARK. I read:

> As I understand the situation, we are contemplating entering into an agreement with the Explosives Trade Limited—

The Explosives Trades Ltd., Major, was one of the component parts of what is now I. C. I., was it not?

Mr. CASEY. Yes, sir.

Senator CLARK [continuing reading]:

> on a division of profits from the sales of military and commercial products in South America and elsewhere. I am not familiar with the purpose in back of this arrangement, but assume that the idea is that it will result in a better percentage of profit by the elimination of competition; that is the only reason I can imagine.
>
> Personally, I cannot see whereby we will be the gainers by any arrangement we can make with Nobel. The du Pont Co. today is preeminently the leading manufacturer of explosives in the world and with a record for satisfactory production that has never been equalled. This fact is known not only by the Allies, but has been thoroughly appreciated by the Central Powers as well as the neutral nations. Therefore, we have a prestige second to none, which will not be materially strengthened by the above-mentioned arrangement. As far as prestige is concerned, we will be given more than we receive.
>
> If it is expected that this arrangement will enable us to control the market in South America to our mutual advantage, I think we are working on a false hypothesis. South American countries, with the exception of their navies, are armed and equipped with German-made small arms, and with German and French field artillery. There may be a few English guns for Cordite in some of the coast defenses, but my understanding is that the majority of these guns are Krupp, which practically indicates that the only English powder used is powder that is sold for use on English-built warships.
>
> England has succeeded for some years in impressing nations where guns built for nitroglycerin powder have been supplied that they will work satisfactorily with nitroglycerin powder only, that this notion has been shown to be erroneous, and now it is a relatively small matter to prove to the satisfaction of interested people that nitrocellulose powders can be made that will give equal satisfaction in guns of the so-called "nitroglycerin" type.
>
> The competition that we have to fear is that of the German, French, and Italian, but principally German, and unless there is something with which I am not familiar I cannot see in what way any arrangement we make with Nobel will protect us against this competition. In fact, even in the case of the English-made guns, if the nation should insist on using nitroglycerin powder, we are still unprotected by reason of Italian competition. Therefore, as I see it, we will be making an arrangement whereby instead of dividing a fair profit which division will net us more, we will in reality be in an arrangement where the division of profit will be materially lessened by reason of the fact that we still have the competition of Germany, France, and Italy to meet.

Will you explain what that arrangement was for the manufacture of nitroglycerin powder and nitrocellulose powder so that we can understand it, and just state what the arrangement was about.

Mr. CASEY. Du Pont was looked upon as a nitrocellulose powder manufacturer.

Senator CLARK. Do you manufacture nitroglycerin powder?

Mr. CASEY. No.

Senator CLARK. Not at all?

Mr. CASEY. We did a little shotgun powder business, whereas the English have always been looked upon as nitroglycerin powder manufacturers.

Senator CLARK. This letter refers to "military propellants."

Mr. CASEY. That is all I am talking about.

Senator CLARK. In the statement on page 2 which I just read you say that you fear German competition. This letter was written in 1919. Did you understand at that time, in 1919, that Germany was making and exporting military propellants?

Mr. CASEY. No; but I thought there was a possibility that at any time they might be allowed to.

Senator CLARK. In other words, you thought there might be a modification of the Versailles Treaty, which you had to take into contemplation in the agreement which you might make with Nobel?

Mr. CASEY. Correct.

Senator CLARK. I will read further in that letter [reading]:

> The above indicates the practical side, but there is another angle which in my mind is more important, and that is, that by making an arrangement to divide profits on sales of military explosives, we are inviting the attack of unfriendly people and muckrakers. No matter how clean the arrangement may be, it is bound to be misconstrued. We will be accused of exchanging Government information with England. Our explanation that this is but a selling arrangement will not alter the fact that in order to divide profits, those profits are based on some cost. That cost will be stated to be the United States Government cost. Therefore we will be informing England as to what it is costing the United States to manufacture its powder. We will also be accused of informing England as to the quantity of powder for military purposes made in the United States, how much is exported, and how much the United States has.

Major, those objections were very valid, were they not? If this agreement had been made there would have been a very valid objection that it did disclose information based on cost, and that in order to determine the basis it would be necessary to disclose the United States Government cost?

Mr. CASEY. As I said, that is what we would be accused of.

Senator CLARK. You could have been accused of it very justly?

Mr. IRÉNÉE DU PONT. No, sir.

Senator CLARK. Why not?

Mr. IRÉNÉE DU PONT. Because the cost of Government powder might be very different than the cost of powder shipped down there. You take the cost of Government powder provided in 1918 to the United States, and it certainly had no relation to any powder we ever made before.

Senator CLARK. You do not mean the cost, but the selling price?

Mr. IRÉNÉE DU PONT. Both. They were both way below what was ever manufactured before.

Senator CLARK. It did not cost you less to manufacture?

Mr. IRÉNÉE DU PONT. It cost us less to manufacture and it was sold for less.

Senator CLARK. It cost you less to manufacture?

Mr. IRÉNÉE DU PONT. It cost us less to manufacture than ever before.

Senator CLARK. It did not cost you less to manufacture powder for the United States Government than before?

Mr. IRÉNÉE DU PONT. It certainly did, because we were in larger production.

Senator CLARK. In the manufacture of powder in 1918, of comparable kind, it did not cost you any less to manufacture the powder you furnished to the United States Government than the powder you furnished to any other government during that period?

Mr. Irénée du Pont. It is here in the record, that is, the records are here to show it exactly, and I believe it was less, because of the larger volume of manufacture, and also we began getting materials at lower cost after the United States went into the war.

Senator Clark. But if you manufactured during the period 1918—did you manufacture exclusively for the United States Government after we got into the war, or did you start to manufacture to some extent for the Allies?

Mr. Irénée du Pont. We manufactured for the Allies the orders we had uncompleted.

Senator Clark. That is what I say. If you manufactured the same powder, in the same factory, or a similar kind, and sold some to the United States and some to the Allies, it did not cost you less to manufacture for the United States than the Allies?

Mr. Irénée du Pont. It might have.

Senator Clark. That is the point I am making, Mr. du Pont.

Mr. Irénée du Pont. At any rate, the exact cost of manufacturing powder cannot be known, but the approximate cost must be known. The approximate cost of manufacture must be known to the Nobel people as well as to us. The approximate cost of manufacture, whether it costs 55 cents or 53 cents, would be utterly immaterial.

Senator Clark. But in setting up your cost base, is not Major Casey's suggestion here well taken, that the cost would be what is the United States Government cost?

Mr. Irénée du Pont. I do not think that is necessarily so.

Senator Clark. Therefore it would be informing England as to what it cost the United States to manufacture it.

Mr. Irénée du Pont. I think the cost of a lot of powder sold in South America would be very different than what it cost in the United States.

Senator Clark. Major Casey goes on [reading]:

> In spite of the fact that on interchange of information on patents, military explosives are specifically exempted, we will be attacked with the statement that by informing them of the sales and the costs on which the profits are based, that we cannot avoid informing them regarding compositions.

Is that objection not well taken?

Mr. Casey. That is again on the same premise. We can be accused of a lot of things.

Senator Clark. I understand you can be accused of a lot of things, but I am asking your opinion whether you could be fairly accused. This was an intercompany memorandum. I understand you said you could be accused of it. What I am trying to find out now is whether it is your opinion that you could have been accused of it with justice.

Mr. Casey. I am trying at this time to make the strongest case that I possibly can.

Senator Clark. I understand.

Mr. Casey. To something to which I objected personally.

Senator Clark. What was your opinion as to the justice of those accusations which might be made?

Mr. Casey. I think I have stated pretty clearly, Senator, that they might be just or unjust.

Senator CLARK. I understand you said they might be just or unjust, but I am trying to find out your opinion as to whether they would be just or unjust. You are an expert on the subject, and I know you have an opinion as to whether they were just or unjust.

Mr. CASEY. I felt most of them would have been unjust, but we were still open to attack.

Senator CLARK. As a matter of fact, your present arrangement with I. C. I., while it is termed a "selling arrangement", does provide for a division of the profits and would be open to the same objections that you raise there, would it not?

Mr. CASEY. Not on the basis that I was fearful of at this time. That is because any division of profits is a variable proposition, depending on the particular transaction.

The fact of the matter is, that after we have added selling expense, travel expense, and so forth, we do not have a profit, in a great many cases.

Senator CLARK. Nevertheless, the division takes place on the division of cost, and your suggestion here that this agreement which was under discussion would be subject to the attack that it was based on cost, which would be taking the United States Government cost and would disclose the volume and also the composition, would apply as much to the existing agreement with I.C.I. as it would to this agreement, would it not, Major? Without going into the question as to whether the attack is just or unjust, whatever you said about this agreement might as fairly be said about your existing agreement with I.C.I.? Is that not true?

Mr. CASEY. Except for the facts being different. As I said before, I was afraid an arrangement would be entered into. I was not familiar with the contemplated arrangement, and I was afraid an arrangement might be entered into where there would be a division of the profits based on our plant costs.

Now, as the matter stands today, as I have just explained, there is no such animal. It is simply the result of a year's costs. We have probably gotten the net return after all expenses have been included of a certain amount, and it bears no relation to the cost, and nobody could possibly take that figure and say "the powder cost them so much." There is the distinction.

Senator CLARK. Major, the agreement provides for a division of profits, does it not?

Mr. CASEY. Yes.

Mr. LAMMOT DU PONT. No; the agreement does not provide for it.

Senator CLARK. What does it provide?

Mr. LAMMOT DU PONT. Costs.

Senator CLARK. Profits are necessarily based on costs, are they not, Mr. du Pont?

Mr. LAMMOT DU PONT. I did not hear your statement.

Senator CLARK. It is impossible to have any determination of profit in any commercial enterprice and not have a determination of the cost, is it not, Major?

Mr. CASEY. It may sound to you like a fine distinction, but what I was trying to avoid at that time, in my own opinion, was any arrangement whereby it would be based on our cost at the mill, which is really what we would term equivalent to Government cost.

On the other hand, under the present arrangement we know what our own figures are, what the mill cost is, and then we have to add to that every item of expense which we have been put to during the period in which that powder was sold. The result is, on a number of occasions where over our mill cost we might show a profit, the net result will be an actual loss because of the small quantity involved and the selling expenses and everything else which goes on all the time.

Senator CLARK. Major, do I understand under this existing agreement with I. C. I., when you go to settle with them, you would just set up your cost figure as a flat figure, as a flat cost, without breaking it down into your mill cost or anything else?

Mr. CASEY. There is one feature of that thing which has not been brought out, and that is this: At the time we had the discussion with Mitchell we said: "There is one thing we want distinctly understood. There is going to be no break-down as to where we get our final figures. That is one thing we will not agree to. Unless you are willing to accept our figures as to what we say the powder costs us at the end of a year's period of transaction, we will not enter into the agreement."

Senator CLARK. So that under the agreement you do not break down the cost?

Mr. CASEY. We refused to give the data.

Senator CLARK. And refused to give any information on mill cost?

Mr. CASEY. And unless they are willing to accept our figures and we are willing to accept theirs on the same evidence, there is none applied.

Senator CLARK. That is, under the agreement you have no break-down of the figures?

Mr. CASEY. We absolutely refused to do it.

Mr. LAMMOT DU PONT. I think, Senator, the present agreement will speak for itself, but it is my understanding that it does not refer to costs, but it refers to profits, and the profit figures are to be accepted without break-down. It is not a break-down of cost, but a break-down of profit.

Senator CLARK. It is impossible to figure profit without figuring costs. Profit is the difference between the selling price and cost.

Mr. LAMMOT DU PONT. You understand it means that it is not breaking down cost, that it is a question of breaking down profits, and we do not have to break-down our profits.

Senator CLARK. If you do not break-down your costs, I can see that Major Casey's explanation of the difference between the contract which he is discussing here and the contract with I.C.I. is a valid distinction.

Now, Major, I will read further from the same letter [reading]:

> In addition, the attack made on us in Harper's Weekly——

Mr. CASEY. Have you not skipped one paragraph?

Senator CLARK. I read that, but I will read it again [reading]:

> In spite of the fact that on interchange of information on patents, military explosives——

I was just asking you about that.

Mr. CASEY. I do not think you finished the paragraph.

Senator CLARK (continuing reading):

> * * * military explosives are specifically exempted, we will be attacked with the statement that by informing them of the sales and the costs on which the profits are based, that we cannot avoid informing them regarding compositions. This arrangement will give Representatives in Congress just the ammunition they are looking for to attack us, and we will be accused of being traitors; of giving away Government secrets, etc. All we have to do is to look over the hearings on the different appropriation bills to realize what thin ice we would be on.
>
> In addition, the attack made on us in Harper's Weekly in 1914 is still pretty fresh in our minds, and we still hear of this occasionally.

What is that, Major?

Mr. CASEY. That is the attack by a man named Post, where he accused the company of giving Government information to Germany.

Senator CLARK. You mean the du Pont Co. as distinguished from munition makers in general?

Mr. CASEY. Yes; and, as I understand it, he referred to a case where the United States Navy needed brown prismatic powder.

At the request of the Secretary of the Navy I believe Mr. Alfred I. du Pont went to Germany and made an arrangement whereby we would get the " know-how " of brown prismatic powder.

Senator CLARK. You mean get it from Germany?

Mr. CASEY. I mean get it from Germany. In connection with that, of course, we had to agree, which was approved by the Secretary of the Navy, to let them have information which we might develop in connection with this same powder. That was a part of the agreement, and the only agreement on which the Germans would let us have the information.

Senator CLARK. That was the Harper's Weekly article to which you referred?

Mr. CASEY. Yes, sir.

Senator CLARK (reading):

> The testimony and exhibits at the time of the du Pont dissolution suit, the testimony and exhibits at the time of the Post-du Pont libel suit, are conclusive evidence of the risk we are running.

What was the Post libel suit?

Mr. CASEY. That was a libel suit growing out of the Harper's Weekly article.

Senator CLARK. Who was the Post involved?

Mr. CASEY. He was the man who wrote the article.

Senator CLARK. Did you sue him for libel?

Mr. CASEY. Yes, sir.

Senator CLARK. What was the judgment?

Mr. CASEY. Somebody else can tell you.

Senator CLARK. Do you know, Mr. du Pont?

Mr. LAMMOT DU PONT. No, sir.

Mr. IRÉNÉE DU PONT. Mr. Pierre du Pont can tell you. I think we won it.

Senator CLARK. Did you get judgment from Post?

Mr. PIERRE DU PONT. I have no recollection of it.

Senator CLARK. I think some of you would remember it if you had won the suit. [Reading:]

> In that case there was this difference: When we were accused of interchanging information with Germany on account of the arrangement we had with the Rhenish-Westphalian Co., this agreement had been made at the request of the Secretary of the Navy.

Is that the arrangement which you just referred to, Major?

Mr. Casey. Yes, sir.

Senator Clark. That is the reason I was reading this, to show what the arrangement was. [Continuing reading:]

> The arrangement which we are contemplating at the present time has no such foundation and, I am sure, would not be looked on with favor by the officials of the Army or Navy. Furthermore, I fear that such an arrangement as we are contemplating would jeopardize our present friendly relations with the Army and Navy, for their representatives would hesitate about taking us into their confidence for fear that the information would reach England.

Was this arrangement made with Nobel at that time, Major?

Mr. Casey. There was an arrangement, but some of our objections were observed, but I do not know exactly to what extent.

Senator Clark. Which ones were observed?

Mr. Casey. The interchange of information was definitely out, because there was a saving clause in that agreement about Government objection being a valid objection, and there was always Government objection. I think that was brought out the other day.

You did not read the last paragraph, and I do not know whether it is important or not.

Mr. Irénée du Pont. I think you are getting confused between the exchange of information agreement and the South American agency agreement, are you not?

Mr. Casey. No.

Mr. Irénée du Pont. This was a proposed agency agreement.

Mr. Casey. This was the agreement which I understand was being contemplated at the time with I.C.I.

Senator Clark. I would be glad to have you read the last one, if you want.

Mr. Lammot du Pont. I have got the information, Senator, with regard to the Post libel suit. Major Casey's recollection, evidently, was not quite correct.

Post wrote the article in Harper's Weekly. One of our men criticized the article and referred to it as libelous. Post sued the du Pont Co. for that statement, and the judge instructed the jury to find that in fact the article was libelous, so that the company's position was vindicated.

RELATIONS OF UNITED STATES ARMY AND NAVY OFFICERS WITH MUNITIONS MAKERS

Senator Clark. I see. I now read a letter dated May 17, 1922, which I will ask to be marked appropriately.

(The letter referred to was marked "Exhibit No. 992" and is included in the appendix on p. 2821.)

Senator Clark. This is a memorandum from W. H. O'Gorman, assistant director, a memorandum of his trip to Washington on May 16, 1922 [reading]:

> Called on Major O'Leary, small-arms division, regarding purchase from Frankford Arsenal of 160,000 cupro nickel bullet envelops, lead plugs, and surrated plugs for incendiary ammunition. Major O'Leary had received a letter from Major Whelen on this subject. He stated that it was not regular procedure to sell material which was being held in reserve, but due to the fact that we needed the components in a hurry, he would oblige us and would at once notify Frankford Arsenal to make the sale under the conditions outlined in Major Whelen's letter of May 15.

Who is Major Whelen?

Mr. Casey. Major Whelen at that time—I may not be absolutely right, but I think he was either on the technical staff on small-arms matters or in the ammunition division.

Senator Clark. He was in the Army at that time?

Mr. Casey. Yes, sir.

Senator Clark. I was trying to find out whether he was your representative, or in the Army.

Mr. Casey. No, sir.

Senator Clark (reading):

> Major O'Leary also stated that we could obtain the material on Thursday, May 18.

Now, when Major O'Leary said that it was not regular procedure to sell material which is being held in reserve, he really meant there was no authority in law for permitting it, did he not?

Mr. Casey. No; there was authority in law to sell.

Senator Clark. Out of the reserve stock?

Mr. Casey. Provided it was going to be replaced and replaced very soon. But this thing was a proposition which looked like good business, if we might have difficulty in getting these component materials. As it turned out afterwards, we found we had no difficulty in getting the components from other sources, so that nothing happened from this thing.

Senator Clark. These bullets were to be taken out of the reserve stock which the Government had, were they not?

Mr. Casey. I think so. That was the intention. It was an English bullet.

Senator Clark. They were incendiary bullets?

Mr. Casey. Yes, sir.

Senator Clark. Do you know what government they were to be sold to?

Mr. Casey. I think this sounds very much like Japan.

Senator Clark. I call your attention to a tabulation of foreign business from the armistice to December 31, 1933, not including United States business, taken from the files. I find that in one item, Japan, incendiary cartridges, quantity, 100,000; total, $22,750.

(The tabulation referred to was marked "Exhibit No. 993" and is included in the appendix on p. 2822.)

Senator Clark. Would that indicate to your mind, Major, on that that part of this material you were trying to get from the United States Government was for sale to Japan?

Mr. Casey. That Japanese incident is very interesting. They came to us and wanted to get 150,000 rounds of .303 British incendiary ammunition. The first statement I made was, "Why do you come to us for a British cartridge with a British bullet, the Buckingham bullet?" The answer was that du Pont had made such a splendid reputation in the loading of both tracer and incendiary bullets during the war that that is what they told me.

They were advised we were not ammunition manufacturers. We would have to get the components from outside. In our search for components we thought it was possible that Frankford arsenal might have some components for the .303 British. If they did not have, it might be possible to utilize certain of those components by reforming and swedging to raise the diameter of the bullet from

.308 to .311. But, as I say, before the discussion had hardly ended, we found we were able to get the components not only for the ammunition but for the bullets from another source without any difficulty.

Senator CLARK. Your sales charge shows that you sold 240,000 rounds of that ammunition. Did any part of that come from the United States Government?

Mr. CASEY. None of it.

Senator CLARK. Because you found another place you could buy it?

Mr. CASEY. Yes.

Senator CLARK. But you had made arrangements with the United States Government to supply you 160,000 rounds from their reserve stock?

Mr. CASEY. If we could use it, they were willing to help us to tide over this proposition.

Senator CLARK. Was the United States Government apprised that that was for sale to a foreign government?

Mr. CASEY. Oh, yes.

Senator CLARK. To Japan?

Mr. CASEY. Yes. The fact of the matter was, when they realized that Japan could have gone right to England and have probably gotten this ammunition out of stock, they were very glad to see American manufacturers get the business.

Senator CLARK. I will read you further from this memorandum of Mr. O'Gorman's, "Exhibit No. 992", recounting his trip to Washington May 17, 1922. Beginning with the second paragraph at the top of the second page, Major:

> Called on General Humphrey and asked him what he knew about Mr. A. W. Randall.

Who is General Humphrey?

Mr. CASEY. General Humphrey was a retired quartermaster general of the Army, who went with Colonel Buckner on some special work around about somewhere between 1908 and 1912, I am not quite sure; but he had been retired at that time. When I took over Colonel Buckner's work after the war, I still had General Humphrey on a nominal retainer. Therefore, when there was occasion to find out what connection this Captain Randall had with the Polish Government, or whether he knew them or not, I got hold of General Humphrey and asked him if he could not find out.

Senator CLARK. Mr. du Pont, have you a list, or could you make us a list, of the former Army and naval officers that have been employed by the du Pont Co. since the war?

Mr. IRÉNÉE DU PONT. We certainly could.

Senator CLARK. I come across the names of captains, majors, colonels, and generals here. Would you make us a list for the record of just how many former Army officers you have employed?

Mr. CASEY. Senator, by that you mean regular officers, do you not?

Senator CLARK. Yes; I do; of course.

Mr. CASEY. I think we could almost recite that.

There was General Humphrey—he is the first one I know of—formerly Quartermaster General, who, I think, retired because of the age limit, 64 years. He came with us in a period—I am not quite sure of the exact date. Then when we got into large production, in the early stages of the World War, and required a little better supervision, a man of executive ability to handle commissary and welfare work, we got Maj. Robert E. Wood, who had been with General Goethals down in the Panama Canal Zone. He then took over this welfare work at Carneys Point. He was only with us a short time when he left to go with the Barber Asphalt Co. From that he went into the service. I believe he eventually became Quartermaster General of the A. E. F. He is now president of Sears Roebuck.

He was succeeded when he left by Maj. Frank O. Whitlock. He had likewise been with General Goethals in the Panama Canal. He continued on that welfare work until his services with the company ceased, around 1920 or 1921, somewhere in there.

The only other Army, Navy, or Marine officer we had was Maj. L. W. T. Waller, Jr. He had resigned from the Marine Corps and had started in a business of his own, supplying rust-preventative compounds, gun-cleaner materials, and so forth, under the name of Conversion Products Corporation.

When we first started our attempt really to make a study of game-conservation work, because of Major Waller's interest as a sportsman and his knowledge of shotgun conditions and the use of the shotgun in hunting game—and naturally with that goes the question of the entire study of wildlife—he took on this work and continued from about 1928 until possibly 1932. I think that was the end of that service.

That represents four officers. None of those men had any connection whatsoever with military work, unless you would call the service of Wood and Whitlock on commissary and welfare work in connection with military production.

Senator CLARK. I remember General Rice. Was he not in your employ for a while?

Mr. CASEY. General Rice was another story.

Senator CLARK. He was formerly Chief of Ordnance?

Mr. CASEY. He was former Chief of Ordnance; that is, of the A. E. F.

Senator CLARK. Yes.

Mr. CASEY. I think we brought out the other day that Colonel Taylor had urged on us to try to get——

Senator CLARK. Was Colonel Taylor an Army officer or was that a courtesy title?

Mr. CASEY. National Army. He went to Plattsburg. I think at the armistice he was still at Fort Sill, commanding officer of the Nineteenth Field Artillery, and also acting as instructor in field artillery. But he kept urging us to let him have a man who was technically equipped to discuss the question of gun design, because we were running against that problem in trying to fit our powder to guns, especially where these different nations wanted to increase their velocity.

So I went to General Williams and asked him if he knew where there was such a man. He said, "Have you considered General Rice?" General Rice by this time had retired. I said, "No", I had not considered General Rice, because I never thought for a moment he would consider it.

He said, "I do not suppose the remuneration can be very great, but I think you would find this, that while General Rice has retired from the Army, at the same time he still has a tremendous interest in all their problems."

So I got in touch with General Rice, and I must say frankly to my surprise he said, "I would be tickled to death to do that, because it will just keep me going on it."

So General Rice went to Europe. He could not operate in this country. He had absolutely no connection with any negotiations we had with the United States Government because of the clause in the retired pay.

Senator CLARK. I understand that.

Mr. CASEY. He was only used on the other side as a technical adviser. I think that has been brought out.

Senator CLARK. How about Colonel Simons?

Mr. CASEY. Colonel Simons had been with the du Pont Co. a great many years ago in black powder. He was an engineer, likewise. He left us and went with the U. S. Finishing Co., at Providence. I believe while there he joined the Rhode Island Guard, and he went overseas with the Twenty-sixth Division in the Artillery. He went over there and because of the fact that he knew several languages, they grabbed him and put him on the staff as a liasion officer.

When he came back—I did not know Simons very well; I simply had, you might say, a bowing acquaintance. But you may remember yesterday this incident was brought up of an unsatisfactory representative in South America. So I got Simons on, because he is a gentleman, to send him down to South America to try to undo some of the results that were left there by reason of the previous agent. Now, you cannot call him an Army officer.

Senator CLARK. I was inquiring. I did not know whether he was regular or not.

Mr. CASEY. You may say I am one. I saw it in the paper the other day I was one.

Question (from the press). What are you?

Mr. CASEY. I enlisted in the Seventy-first New York in the Spanish-American War and served through it as a private. I have been in the National Guard ever since. I was on the Mexican border as a battalion commander of infantry. My regiment was converted into field artillery. There were only two battalions provided for at that time, and I was out.

Senator CLARK. I do not blame an infantryman for getting out of the artillery. I will put in with you on that.

Mr. CASEY. Then we check on one thing.

Senator CLARK. Captain Gillis was also a naval officer, was he not?

Mr. CASEY. Yes. He was an ex-naval officer, retired, as I stated the other day, but you could not call him a du Pont man, he was so finely divided between——

Senator CLARK. According to your statement he was divided up into a great many parts, but he evidently put in a good deal of time on du Pont business, as shown by the correspondence.

Mr. CASEY. Senator, in the correspondence there were a great many of the paragraphs, especially his references to the political situation and such things, that were common to all his letters, that he sent to every concern he represented.

Senator Clark. I will go on with this letter.

The Chairman. Have you finished reciting those?

Mr. Casey. If there are any others, I do not believe I know of them, and I do not believe you do.

Mr. Irénée du Pont. There was another group.

Senator Clark. The title of Colonel Buckner, was that a courtesy title?

Mr. Casey. He was a full-fledged Kentucky colonel, from Owensboro, Kentucky.

Senator Clark. That was just a Kentucky colonel, was it?

Mr. Casey. Yes.

Senator Clark. That was before the days of the present Governor of Kentucky, though, was it not?

Mr. Casey. Yes. He qualified, by the way. He met every requirement that was expected of a Kentucky colonel.

Senator Clark (reading from "Exhibit No. 992"):

> Called on General Humphrey and asked him what he knew about Mr. A. W. Randall. Told General Humphrey that Mr. Randall mentioned his name during a conversation and further stated that he, Mr. Randall, was very well connected with the Polish Government. General Humphrey reported that he knew Captain Randall very well in a business way; that Captain Randall was formerly chief of transportation for the Polish Mission in this country, and as General Humphrey supplied boats and arranged for transportation of materials purchased by the Polish Mission from the United States Government, he came in contact with Captain Randall a great deal.
>
> General Humphrey called up the counselor of the Polish Embassy and inquired as to whether Captain Randall had any connection with them; also as to what they thought of him. I was permitted to listen to counselor's reply—

That would indicate on an extension phone—

> in which he stated that he had not seen Randall in 8 or 9 months but thought very well of him. General Humphrey, however, believes that a Maj. C. S. Marsden, purchasing agent for the Polish Mission, would be of greater help to us in negotiating a sale of military powder to Poland. He further stated that it was quite likely that he himself could negotiate the deal through the Polish Embassy, where he is very well thought of and highly regarded.

At that time, Major, if I understand you correctly, General Humphrey was on the pay roll of the du Pont Co.

Mr. Casey. Yes.

Senator Clark. Do you recall anything about this transaction, Major? It is signed by Mr. O'Gorman.

Mr. Casey. Yes.

Senator Clark. He was your assistant, was he not, Major?

Mr. Casey. Yes. Capt. W. E. Witsil, who had been my assistant from 1914 and then had left to go into the service, was in the inspection division of the Ordnance Department, on the small arms. When he came back he promptly resumed his old duties. Therefore I sent him down to contact this man Marsden.

Senator Clark. First let me understand you. This Capt. A. W. Randall approached you with a view to representing you in negotiation with Poland, did he?

Mr. Casey. I believe he did.

Senator Clark. In other words, he was not at this time connected with the Polish Government?

Mr. Casey. No.

Senator CLARK. He had been connected with the Polish Government, but was at this time approaching you with a view to representing you, and also investigating his standing with the Polish Government?

Mr. CASEY. Yes.

Senator CLARK. That is what this letter would indicate.

Mr. CASEY. Yes; that is right.

Senator CLARK. I am not familiar with the facts except as shown in the letter.

Mr. CASEY. So Captain Witsil contacted Major Marsden, who I believe was a National Army officer, but he had been either assigned or picked up by the newly established Polish Government to advise them on a great many matters in connection with the formation of a national defense. So after contacting Marsden, Marsden then said——

Senator CLARK. This letter speaks of him as purchasing agent for the Polish Commission. Was he purchasing agent for the Polish Commission at that time, do you know?

Mr. CASEY. I do not believe so. That may have been so, but I do not believe that was the fact, because we were referred to a Dr. Arkt, who was head of the Polish Purchasing Commission, which at that time was established on West Fortieth Street, just opposite the public library, in one of those old private houses. So, therefore, from that time on all our contact was with this Dr. Arkt and an associate of his whose name I cannot remember at the time.

Senator CLARK. What did General Humphrey do? [Reading:]

> He further stated that it was quite likely that he himself could negotiate the deal through the Polish Embassy, where he is very well thought of and highly regarded.

Mr. CASEY. He did not do anything further.

Senator CLARK. He did not do anything further?

Mr. CASEY. No; just as soon as we had the contact, we thought we could handle it, you see. General Humphrey was pretty well along in years then. He was 64 when he retired around 1910, we will say, so he was probably 74 at this time.

Senator CLARK. He volunteered to handle the thing, but you did not accept his offer. That was the proposition, was it, Major?

Mr. CASEY. That is right.

Senator CLARK. I now call your attention to a memorandum signed by Mr. C. I. B. Henning, on August 18, 1922, of a visit to officers of Bethlehem Steel Co., August 16.

(The memorandum referred to was marked "Exhibit No. 994", and is included in the appendix on p. 2823.)

Senator CLARK. Major, I believe it has been testified here who Mr. Henning was, but it has slipped my mind. What was his official connection?

Mr. CASEY. He had two jobs. One was assistant director of sales. Later on he became technical director of smokeless powder sales.

Senator CLARK. What was he in 1922?

Mr. CASEY. He was assistant director.

Senator CLARK. This was a report of a visit to officers of Bethlehem Steel Co., August 16. [Reading:]

> Discussed the following subjects with Messrs. Struble, Tice, Mixsell, and Froelich.

I call your attention to paragraph 4. [Reading:]

> Nothing new in Brazilian developments, except that as the battleship *Maryland*, and possibly also the *Nevada* will be in the harbor of Rio de Janeiro at the time of the exposition to represent the United States, the Bethlehem Steel Co. is supplying the officers of the *Maryland* with data on Bethlehem Steel guns and armament for appropriate use. We will endeavor to determine to what extent this suggestion might be followed to our advantage, it being primarily a question of personalities, etc.

Major, do you understand that the "appropriate use" of the information referred to was to use it in selling Bethlehem Steel Co. products?

Mr. CASEY. I would imagine that; that is, not by having them sell it, but having them know sufficient about it so that if they are asked: "What do you think of Bethlehem products"——

Senator CLARK. In other words, to use the personnel of the United States Navy as peddlers for Bethlehem Steel guns?

Mr. CASEY. I do not know what their arrangement with them was.

Senator CLARK. What do you understand by Henning's suggestion? [Reading:]

> We will endeavor to determine to what extent this suggestion might be followed to our advantage, it being primarily a question of personalities, etc.

Mr. CASEY. Whatever his suggestion was, it was not acted on.

Senator CLARK. Was not acted on?

Mr. CASEY. No.

Senator CLARK. Do you know to what extent it was acted on in the interests of the Bethlehem Co.?

Mr. CASEY. I have not the slightest idea.

Senator CLARK. You never heard any more about it?

Mr. CASEY. No.

Senator, I have some data here which might assist you.

Senator CLARK. Just a minute, Major. This statement, "We will endeavor to determine to what extent this suggestion might be followed to our advantage", would certainly indicate that so far as one of your rather prominent employees, Mr. Henning, was concerned, he had no compunction against using naval officers as salesmen for munitions, but it was simply a question of contacting the right man, was it not?

Mr. CASEY. You must realize——

Senator CLARK. You took that to be his viewpoint in this memorandum?

Mr. CASEY. Yes.

Mr. IRÉNÉE DU PONT. I do not think he asked that they be used as salesmen at all. I think it is education. You want to crack up your product to everybody.

Senator CLARK. Advance agents, Mr. du Pont. They were not actually, probably, going to close the transaction, but the officers of the United States Navy were clearly being educated by the Bethlehem Steel Co. as to guns and armament, the phrase here is "for appropriate use." That was certainly to act as advance agents for the real salesmen who come along and close the deal, was it not?

Mr. IRÉNÉE DU PONT. I do not know what "advance agent" is, but if you mean putting out some good advertising matter for the excellence of our wares, we are not a bit backward in doing that. I would like to get you in the same idea.

Senator CLARK. You will have a very hard time doing that, Mr. du Pont, I assure you.

Mr. CASEY. Senator, just as a matter of information for the record, Gen. Charles F. Humphrey was employed January 1, 1908. He was off the salary roll June 4, 1926, when he died.

Senator CLARK. He held on pretty well.

Mr. CASEY. He did.

Maj. Robert E. Wood was employed July 30, 1915, resigned November 7, 1915. That was, I stated, to go with the Barber Asphalt Co.

Maj. Frank O. Whitlock succeeded Wood; employed November 1, 1915, off salary roll June 30, 1921.

Our recollection, from this memorandum, is that both Wood and Whittock came from the Panama Canal Zone, which I had already stated.

Mr. RAUSHENBUSH. How about this Captain Witsil you were referring to a minute ago? Is he employed, too?

Mr. CASEY. He was my man. He went into the National Army as an ordnance officer on inspection.

Mr. RAUSHENBUSH. That completes the list of Army officers?

Mr. CASEY. Yes; he is now with the Remington Co.

Senator CLARK. I was interested primarily, Major, in getting a list of Regular Army officers.

Mr. CASEY. Yes.

Mr. IRÉNÉE DU PONT. There were several others, like Witsil, that left our company to go into the war. A number of those came back at the end of the war.

Senator CLARK. I was primarily interested in the Regular service.

Mr. IRÉNÉE DU PONT. That is what I thought you were.

Senator CLARK. Because, of course, men who were temporarily in the Army or the Navy might go into any business when they left. I was primarily interested in getting at the Regular Army.

I will call your attention to a letter from Mr. A. Felix du Pont, of the smokeless-powder department, to the executive committee. In this letter I myself have deleted the names of the countries mentioned and substituted for the names the terms "Country A" and "Country B", for reasons which will appear from the context. This memorandum is headed "Promotion of Military Sales in Country A."

(The letter referred to was marked "Exhibit No. 995", and appears in full in the text.)

Senator CLARK (reading):

> During the winter we were called upon by Lieut. Col. J. H. Mackie, who is at present head of the Canadian relief work. He had been in Country A for some months and at that time was also a member of the Canadian Parliament. He is a man of very considerable experience, both commercial and political. During the war he secured the Country A contracts for the Canadian Car & Foundry Co., also the contracts for rifles for Westinghouse, Remington, and Winchester, the total business amounting to some $80,000,000. During the war he was in charge of the proving ground in Canada for the Canadian Car & Foundry Co.
>
> Colonel Mackie suggested to us that there exists a demand in Country A for military powder and as he was going there he would serve us if we wished him to do so. We looked into this matter very carefully and discussed it with Colonel McCabe, recently in charge of Military Intelligence. Colonel McCabe could see no objection to our dealing with Country A if we wanted to

and used the following argument: That Country A will buy munitions if she needs them, therefore there is no reason why manufacturers in this country should not sell to Country A. From the military standpoint the business has this value, that if Country A is going to obtain munitions somewhere, by obtaining them from the United States our Army learns how much and what kind of powder she is buying and by deduction is in a position to obtain a considerable amount of information of military value. The advantage in dealing with potential enemies in order to obtain information is recognized by both branches of the military service and in discussing a similar condition in connection with Country B, Admiral Long, recently in charge of Naval Intelligence, advised Major Casey that the same condition applied to that country.

For the above reasons we are convinced that it is not undesirable to sell powder to Country A for political or moral reasons and the most important disadvantage that we must guard ourselves against very carefully will be in the matter of making contracts that will assure payment. We think it wise also not to incur the displeasure of some of our other customers by letting it be known that we are selling or attempting to sell to Country A. In order to protect ourselves we have made the following arrangement with Colonel Mackie: We pay half of his expenses on this trip to Country A and he promotes sales of powder in his own name, the powder being shipped to Country A from Canada. We believe that should the occasion arise from making such shipments, they can be made to advantage through the C.X.L.

What was the C.X.L.?

Mr. Casey. Canadian Explosives, Ltd.

Senator Clark. You had an arrangement with them for shipping under their name when occasion demanded?

Mr. Casey. To meet this situation.

Senator Clark (reading):

Colonel Mackie has talked with Mr. McMasters, with whom he is well acquainted, and Mr. McMasters is desirous of giving him every assistance. With regard to inspection, Mr. McMasters advised that if it seemed advisable, a Country A inspector could come to Canada and be sent from C.X.L. to inspect the powder.

(Signed) A. Felix du Pont.

Mr. Lammot du Pont. Senator, that is not a complete letter. There has been a deletion from that.

Senator Clark. I suppose there is, Mr. du Pont. This is all that was furnished me.

Mr. Lammot du Pont. Might we see the complete letter, to know what that deletion consists of?

Senator Clark. Do you have that, Mr. Raushenbush?

Mr. Raushenbush. We have it somewhere, but in the deletion to leave out the names of those countries we had the whole letter copied. I do not think anything of significance was left out.

Mr. Lammot du Pont. There is a row of dots in that that indicated to me something was left out.

Senator Clark. That was simply in order to leave out the names of the countries, Mr. du Pont. We would have no objection on earth to showing the whole letter.

Mr. Casey. July 14, 1923.

Senator Clark. Do both branches of the military service still recognize the advantage of private munitions manufacturers in this country dealing with potential enemies of the United States?

Mr. Casey. I have not approached them on the subject recently, but the last time I did that was still their attitude.

Senator Clark. That was the policy the last time you were informed about it.

Mr. du Pont, in your opinion, does the knowledge from a military standpoint of the character of powder purchased by our potential enemies and such information concerning their guns as this knowledge produces outweigh the disadvantage from the standpoint of our Government of having our potential enemies fully stocked with the very latest type of powder?

Mr. Irénée du Pont. I would certainly depend upon our military arm for an answer to that question. I would not know.

Senator Clark. You would not attempt to give an opinion about that?

Mr. Irénée du Pont. Certainly not.

Senator Clark. Is it possible for these countries purchasing powder, we will say according to your latest formula, Mr. du Pont, to analyze that powder and determine your formula?

Mr. Irénée du Pont. I did not get the question.

Senator Clark. I say, I am asking you from a chemical or mechanical standpoint, as I assume it is a mixed question, is it possible—we will assume a case in which you manufacture powder according to a secret formula of your own which may not be in the possession of a foreign nation or anybody except yourselves—is it possible for a foreign government by purchasing a quantity of that powder to have it analyzed and determine the components and the process by which you have manufactured it?

Mr. Irénée du Pont. I am quite sure they could determine its composition. Whether they could duplicate it or not, I think depends on their skill in manufacturing powder. But that is really a question you should not ask me. I am not a technical powder maker.

Senator Clark. I understand you are not a technical powder maker, Mr. du Pont, but you are thoroughly familiar with the whole situation, and you have had the most expert technical advice through a long career in the manufacture of powder; therefore you are in a good position to answer the question.

Mr. Irénée du Pont. From past experience I should think that if the du Pont Co. received a sample of powder they could come pretty close to duplicating it.

Senator Clark. That would be true, assuming a high degree of expertness in the powder business, if a foreign powder expert received a quantity of your powder?

Mr. Irénée du Pont. I could not say that, whether that would be true or not.

Mr. Casey. Senator, I might say this, that if the powder has been patented. a nation buying that powder might want to buy it because of what they have observed in the patent applications of which they have a copy, and probably can get all the transactions as Dr. Sparre explained the other day. Therefore, the patent would enable them to know what to look for.

Senator Clark. I understand that, Major, that when a process or an invention or anything else is once patented in a foreign country, and a foreign government wants to use it, you are absolutely helpless to protect yourself against that.

Mr. Casey. Yes.

Senator Clark. I had assumed from the testimony that has been put in the record here that certain of your formulas were not patented, but were held secret in your own plant. I was inquiring as to whether in a case of a formula which had not been registered or patented in a foreign country, they could determine your process by an analysis of the powder.

Mr. Casey. They could not determine the process. They might be able to determine approximately the composition with a reasonable degree of accuracy, but not the process.

Senator Clark. An expert powder maker would probably be able to take the composition and hit on the process, wouldn't he, Major?

Mr. Casey. He might hit on the process, not necessarily the same one. Now, in a great many of these more modern powders, Senator, a process may mean one thing to a certain man. He may attempt to duplicate or make the powder by that process and may get certain results. If he knew that there was another process, he might get the real answer. It is the "know how" that is so important, and the "know how" is very difficult to even write down. It is a matter of what you might call plant practice.

Senator Clark. I understand that, Major, but there are expert powder manufacturers with the "know how" in foreign countries as well as the du Pont Co. in this country.

Mr. Casey. Oh, yes. In fact, they all believe they are very much better than we are.

Senator Clark. I understand you do not agree with that conclusion, but nevertheless it is entirely probable that by taking a quantity of your powder, men who are versed in the art would be able to duplicate the powder.

Mr. Casey. They would be able to to a certain extent; yes. Now, of course, Senator, before a powder has ever reached the stage where a foreign government would even be interested, by that time it is in the category where the existence of such a powder is no longer a secret. That is what I tried to state the other day. I want to make the distinction between secret and "know how." I said there was no such thing as a secret after 2 years. Other countries may know there is in existence something mysterious or they may know a certain item is in existence and they want to find out about it.

Senator Clark. That is what I am trying to get at, Major; the effect of this whole trade, as to whether it does disclose to foreign countries the latest developments of the manufacture of powder or, for that matter, the manufacture of guns or any other military equipment.

Mr. Casey. To go a step further, we will assume, which has nothing to do with this case incidentally, but we will just take a hypothetical case, that a certain nation wanted to buy a certain quantity of powder which you might say was the latest development we had for the United States Government. Let us assume for the sake of the argument that part of it has been patented, part of it is secret process. Then we take this proposition, and we put it right squarely up to the Federal Government, what do you think would be the advantages and the disadvantages of us selling them this powder?" Then it is for them to decide.

Senator Clark. I understand that, and that is exactly what I am trying to get at, Major, what the effect of decisions that have been made may be.

Mr. CASEY. We have never had a case come up where it represented a final decision. Did you get that, Senator?

Senator CLARK. No.

Mr. CASEY. I say, we have never had a case come up parallel to this hypothetical case where there was a final decision, so the thing has never occurred. But I would like to give you an illustration of what the Government that we contact—and by that I mean the Army and the Navy—have asked us to do, and on one occasion which is very recent. I will not mention the type of powder except to say it is a small-arms powder.

I was requested by the small-arms division of the ammunition branch if du Pont would, if requested by the Government, refuse to sell that powder even to our American loading companies, if they asked us to. I said, "Well, that is putting us in a very awkward spot." In the first place, before du Pont purchased Remington, even then the loading companies, if they did have a foreign order, did not want us to know for whom that ammunition was intended, because they were afraid that we might in turn advise the other loading companies; then they would have competition. But since we have bought Remington the situation in that respect is worse. They naturally feel, if it happened to be some other company than Remington, that if they told us for whom it was intended, then they would say, "Well, Remington will know this within a few hours."

So I gave the answer to the officer, "It seems to me your proposition is to get after the loading company and ask them not to ship, if you request it. But we will do our part. When we get the inquiry for that type of powder, we will let you know that a certain company has given an inquiry, but we cannot attempt to tell our customer that because of a request we are not going to let them have the stuff, because the answer would be that they would then go to another powder company and not get the same powder, but they would get a powder that would solve the problem."

Senator CLARK. You simply mean by that, Major, that you can disclose your own business to the Government, but you cannot disclose that of somebody else?

Mr. CASEY. Exactly.

Senator CLARK. That is entirely natural.

Mr. CASEY. In this particular case of Mackie, what we were offering was exactly the same kind of powder that we had furnished Russia in the war, and it was a powder that was in stock at the time we were offering it to Mackie at a low price.

Senator CLARK. By the way, Mr. du Pont, I am informed that the paragraph which was deleted from that letter which I just read had to do with some expressions of private opinion from Mr. Mackie as to the character of the people of one of the nations mentioned. We would be very glad to put it in the record if it is desired.

Mr. LAMMOT DU PONT. I have read that paragraph which has been deleted, and it seems to be of no importance.

Senator CLARK. We will be glad to put it in the record if you want it.

Mr. LAMMOT DU PONT. It seems to me to be of no consequence.

Senator CLARK. Now, I call your attention to a memorandum for Mr. Felix du Pont, dated March 26, 1924, which indicates a similar attitude of mind on the part of the Navy Department, which I will offer for appropriate number.

(The memorandum referred to was marked "Exhibit No. 996", and is included in the appendix on p. 2824.)

Senator CLARK. It is headed, "Assistance from Navy Department in connection with sales to foreign governments."

> In December 1923, during an interview with Admiral Block, of the Navy Department, I was informed that the Bureau of Ordnance, Navy, would do everything within its power to assist us in making sales to foreign governments.

Dropping down to the last paragraph:

> This is a good example of cooperation on the Navy's part, and we believe it is worth while to make the facts of the case known to the executive committee.

I call your attention to a letter dated July 24——

Mr. IRÉNÉE DU PONT. Before you leave this, Mr. Senator, I should like to read from the National Defense Act a paragraph which refers to just that kind of assistance, which I think is quite apropos.

This is page 18 [reading]:

> COGNATE ACTS
>
> That the President of the United States be, and hereby is, authorized, upon application from the foreign governments concerned, and whenever in his discretion the public interests render such a course advisable, to detail officers and enlisted men of the United States Army, Navy, and Marine Corps to assist the governments of the Republics of North America, Central America, and South America, and of the Republics of Cuba, Haiti, and Santo Domingo, in military and naval matters: *Provided*, That the officers and enlisted men so detailed be, and they are hereby, authorized to accept from the government to which detailed offices and such compensation and emoluments thereunto appertaining as may be first approved by the Secretary of War or by the Secretary of the Navy, as the case may be: *Provided further*, That while so detailed such officers and enlisted men shall receive, in addition to the compensation and emoluments allowed them by such governments, the pay and allowances whereto entitled in the United States Army, Navy, and Marine Corps, and shall be allowed the same credit for longevity, retirement, and for all other purposes that they would receive if they were serving with the forces of the United States.

Senator CLARK. I am thoroughly familiar with that provision, Mr. du Pont. We have had occasion to examine somewhat into that heretofore in these hearings.

It was under that provision of the National Defense Act, I believe, that the United States Government loaned Peru a naval mission, which in the course of its services to Peru, while they were receiving, I believe, $8,000 apiece from the Peruvian Government in addition to their pay as American naval officers, recommended the purchase by Peru of certain submarines manufactured by an American company. Then shortly thereafter the potential enemy of Peru, to wit, Colombia, felt that it was necessary for it to prepare its national defense against those submarines which had been furnished them under the advice of the American Naval Mission; and the United States Government then loaned to Colombia another naval officer, who recommended and specified certain guns manufactured by another American concern as a defense against the submarines which had been previously sold to Peru.

It does not seem to me that those provisions for military and naval missions or for the loan of American Army or Naval officers has anything to do with the thing which I just said. This says:

> In December 1923, during an interview with Admiral Bloch of the Navy Department, I was informed that the Bureau of Ordnance, Navy, would do everything within its power to assist us in making sales to foreign governments.
>
> This is a good example of cooperation on the Navy's part, and we believe it is worth while to make the facts of the case known to the executive committee.

Now, I understand that provision of the statute which you just read. It does not say anything about the bureaus of the Army and Navy actually engaging in assistance in the sale of muntions, and I do not find anything in that statute that justifies any such conduct on the part of the Army or the Navy.

Mr. CASEY. Senator, we are not attempting to interpret whatever interpretations they may get from that act.

Senator CLARK. I understand that, Major, but Mr. du Pont read that into the record as though it was apropos, and I am simply recording my opinion that it is not at all apropos to such action as this on the part of the Navy Department.

Mr. RAUSHENBUSH. Major Casey, have any Army or Navy officers used that act to interpret their actions to you?

Mr. CASEY. That I do not know.

Mr. RAUSHENBUSH. You have not gotten that as authority from the Army and the Navy, however, have you?

Mr. CASEY. In every instance where there has been such occasion it has always been under the direct authority of the Secretary of the Navy or the Secretary of War.

Mr. RAUSHENBUSH. And you have not had any reference to that act?

Mr. CASEY. No; they do not refer to any act. They simply say, " By power vested in me," or whatever the proper language is. We cannot go any higher than that.

Mr. RAUSHENBUSH. Is it your idea that that act——

Mr. CASEY. I am not attempting to make any interpretations.

Mr. RAUSHENBUSH. But it is yours, though, Mr. du Pont?

Mr. IRÉNÉE DU PONT. I have been wondering since last night what the authority is.

Senator CLARK. I have been wondering too, Mr. du Pont.

Mr. IRÉNÉE DU PONT. It must be there, or they would not do it.

Senator CLARK. I know many departments do many things not authorized by law. I did not mean to interrupt you, Mr. du Pont. Excuse me.

Mr. IRÉNÉE DU PONT. I don't know where we left off.

Senator CLARK. Now, Major, I am absolutely not certain that we are talking about the same thing. Let me ask you this question: I understand you to say that both branches of the United States military service, that is, the Army Intelligence, Military Intelligence, and Naval Intelligence, so far as you know from your last information, take the position that it is good policy on the part of the United States to sell munitions made in the United States to potential enemies of the country?

Mr. CASEY. On the basis that, in the first place, it gives business to this country. That is one thing.

Senator CLARK. That is the reason set out in Mr. Felix du Pont's memorandum.

Mr. CASEY. Yes. Secondly, it gives us the advantage of knowing at least part of what they are buying and what guns it is intended for. Third, it also gives us knowledge of certain guns which we may have no knowledge of before. In other words, in order to sell the powder you must have what are termed the gun constants. Do I make that clear?

Senator CLARK. But it is the policy of the Government that it is good policy from a Government standpoint for American munitions makers to sell munitions to potential enemies of the United States.

Mr. CASEY. That is from my last information.

Mr. RAUSHENBUSH. Major, just in passing, before we get off that, would you care to identify, from your knowledge of the letter just read a moment ago, that the countries marked by this committee as A and B, whose names were deleted, have generally been considered by some groups in this country as potential enemies of the country?

Mr. CASEY. Regarding country A I would say no.

Mr. RAUSHENBUSH. Not even in 1922 or 1923, when that letter was written?

Mr. CASEY. No. There might have been a difference of opinion as to the methods of our former government, but not the present government. In the case of country B, the less said about it the better.

Mr. RAUSHENBUSH. That was my own idea in deleting it.

Senator CLARK. Now, I call your attention to a memorandum dated July 24, 1924, from Major Casey to F. W. Bradway, which I will ask to have marked with the appropriate exhibit number.

(The memorandum referred to was marked " Exhibit No. 997 ", and is included in the appendix on p. 2824.)

Senator CLARK. F. W. Bradway was the man who was here yesterday?

Mr. CASEY. Yes. He is now assistant general manager. He was at that time director of manufacture.

Senator CLARK. From this letter I notice that the former head of the ordnance service, General Rice, who was your representative in Paris at that time, I believe, had given a letter to a Polish military officer, requesting the Ordnance Department of the Army to show him some very important plans and contracts. I will read from the last paragraph on the page:

> The program which they desire for this officer is as follows: When he arrives in America, he will go directly to Wilmington and present himself to Major Casey. I have given him a letter of introduction. He will also have a letter from General Rice to an officer in the Ordnance Department in which General Rice will request the Ordnance Department to show him our various schemes of mobilizing the powder industries, what contracts our Government makes with powder industries, and have him visit the Government arsenals.

Did you consider that that was conducive to the Government's interests to have the Government's secret plans for mobilizing the powder industry of the country in the event of war disclosed to a representative of a foreign power?

Mr. CASEY. Don't you think that that is a matter that is up to the Government to decide?

Senator CLARK. Yes; I do, Major; but I am trying to get at the attitude of the former Chief of Ordnance of the United States Army, who was at that time your representative.

Mr. CASEY. Take the country at that time, Poland, starting from zero, with a famous concert pianist at the head of the Government, Paderewski. The United States at that time were doing all they could to see that Poland got on its feet before something happened to it, and at that time there was absolute fear that before anything got going the Bolsheviks would have them bottled up. That was proven a few years after that when the war between Poland and the Bolsheviks took place. If it had not been for the assistance the United States gave them, there would not have been a Poland today, I do not believe.

Senator CLARK. Then, you do think that General Rice was proceeding in the proper manner in requesting the United States Government to disclose their secret mobilization plans to the representative of a foreign power?

Mr. CASEY. He was making a request.

Senator CLARK. Was that done?

Mr. CASEY. That I do not know. We never knew what the United States Government did.

Senator CLARK. What did you do about it, Major? I will say that I think you proceeded with more discretion than General Rice did, because you said—no; I assume this is Colonel Taylor—at the top of page 2:

> I trust you will be able to arrange a suitable program for him so that he will get general information and not learn the things you don't want him to know and that he will get some idea of how the powder business should be conducted and contracts and so forth should be made. I believe that it will be a good thing for us to have an opportunity to educate him and the proper method of doing business in America, as this officer's functions in Poland will be a check on the activities of the other people which we have to deal with.

Now, Colonel Taylor's attitude seems to have been that it was a good thing to show this Polish officer enough to make him think that du Pont powder was better than anybody else's, without letting him actually find out how to make it.

Mr. CASEY. Don't you think, Senator, there is a very vital distinction between the two letters? One was a letter of introduction handed to the man who was going to take that letter, and that man was allowed to read that letter. It is certainly a cinch if that letter that this Polish officer had contained the language that Colonel Taylor wrote to us, he would not have been very enthusiastic about coming.

Senator CLARK. I understand, but the difference was that Colonel Taylor wrote his letter to you and General Rice wrote his letter to the Ordnance Department of the Army, in which he requested them to show our various schemes for mobilizing the powder industry, what contracts our Government made with the powder industry, and have him visit the Government arsenals. While Colonel Taylor may have tipped you off privately, there is nothing to show that the Government was tipped off privately, and here was a request from the former chief of ordnance of the United States Army to a man who probably had been his subordinate when he was chief of ordnance, requesting him that this examination be made and also to disclose all our private contracts.

Mr. Casey. But remember this: The Government does not need to be tipped off. They know where they are. They have got their feet on the ground. Now, what happened——

Senator Clark. What did happen?

Mr. Casey (continuing). When they were willing to have an officer visit our plant? That officer came with a letter from the Ordnance Department saying, " We would appreciate it if you have no objection to showing him the manufacture of powder, but then we get another letter which does not quite say that.

Senator Clark. It is your idea, then, that General Rice was just giving this Pole the run-around?

Mr. Casey. He was giving him a sales talk.

Senator Clark. We have heard a good deal about sales talks here the last week.

Mr. Casey. Maybe we will make salesmen out of you fellows yet.

Senator Clark. Not for munitions.

BUSINESS WITH THE UNITED STATES GOVERNMENT

Senator Clark. Now I call your attention to a memorandum from Mr. C. I. B. Henning, headed—I will have to get one of you gentlemen to pronounce this for me——

Mr. Casey. Diphenylamine.

Senator Clark. " Diphenylamine, Ordnance Department, Washington, D. C., November 17, 1924 ", which I will ask to be marked with the appropriate exhibit number.

(The memorandum referred to was marked " Exhibit No. 998 " and appears in full in the text.)

Senator Clark. I will read from this memorandum:

> On suggestion of Major Casey, made hurried trip to Washington and discussed with Gen. C. C. Williams and his executive assistant, Maj. C. T. Harris, arrangements by which the du Pont Co. might secure such portion of the stock of diphenylamine as held in reserve by the Ordnance Department. Their total stock is approximately 67,000 pounds in storage at Picatinny Arsenal. It is partly of du Pont manufacture and complies with the specifications of the Ordnance Department as set forth in their pamphlet no. 450 governing the manufacture of smokeless powder for cannon. These specifications are not quite as stringent as those set forth in the small blue advertising folder of the dyestuffs department. Copy of this letter was presented with the suggestion that the Ordnance Department might profit through the " reconditioning " of their stock of diphenylamine.
>
> The important point to be emphasized in this memorandum is that General Williams immediately stated that it was his desire to do anything in his power which would assist the du Pont Co., that he was very appreciative of the spirit of cooperation extended by Major Casey, and that, although there was grave doubt in his mind as to the readiness by which the legal requirements of the transaction might be complied with, he would immediately instruct Maj. C. T. Harris to find a way by which the transaction could be carried out.

So that General Williams, although there was very grave doubt in his mind as to the legality of the transaction, instructed his subordinate, Major Harris, to find a way by which the transaction could be carried out.

It has been your observation, hasn't it, Major, that when a general instructs a major to find a way to do something, the major is apt not to be too meticulous as to the law on the subject?

Mr. Casey. He may give those instructions and find out afterward that it cannot be done. But let me tell you about this matter——

Senator CLARK. Just let me finish this memorandum:

> I wished to obtain the maximum proportion of their diphenylamine practicable and mentioned 50,000 pounds. Major Harris thought it well to reduce this to 40,000 pounds, in order to avoid criticism of undue depletion of their stock. I mentioned 3 months as the time for return, but Major Harris thought it well to increase this to 120 days. Major Harris immediately endeavored to get in touch with the division of the Ordnance Department handling legal details of contracts, but these officers had all gone for the day. Some discussion was then held regarding details of arrangements. It was not considered practicable for the Ordnance Department to offer any of the diphenylamine for sale, inasmuch as it is really all needed. I pointed out that there is a certain precedent set in that the Ordnance Department has offered the various contractors materials on hand for reconditioning, and particularly, that it has come to our knowledge that Frankford Arsenal has by this means obtained new supplies of cups for cartridge cases, primers, etc. General Williams thought that he was justified in recommending the transaction because the diphenylamine which they would obtain would comply with specifications somewhat more stringent than those under which the diphenylamine now on hand was accepted. This point is emphasized for the dyestuffs department, with the suggestion that we should not accept the reserve supply of the Ordnance Department's diphenylamine unless we have reasonable expectations of being able to deliver diphenylamine complying strictly and thoroughly with the specifications as set forth in their advertising literature. When we are prepared to make return of diphenylamine the inspectors at Picatinny Arsenal will pay particular attention to this. Major Harris, after consulting the legal experts of the Ordnance Department, will have prepared a contract for reconditioning probably 40,000 pounds of diphenylamine. We will pay all transportation costs and handling charges and may receive as compensation for this work $1.00.

Major, that was a subterfuge about reconditioning the diphenylamine, was it not?

Mr. CASEY. It might have been a legal subterfuge.

Senator CLARK. In other words, General Williams had already expressed his desire to do it, although he had very grave doubts, legal doubts, about it, and instructed his subordinate to find a way in which to do it, and then when it came to finding a way in which to do it, some suggestion was made about sale and they said they could not do that because the diphenylamine in the reserve stock was really all needed by the Government, and then this other matter about reconditioning was suggested as getting around the law. Isn't that the situation?

Mr. CASEY. That is what the memorandum says.

Senator CLARK. That is exactly what the situation was.

Mr. CASEY. Yes.

Senator CLARK. Now, you want to make an explanation, Major Casey?

Mr. CASEY. What really happened was this: W. F. Harrington, who at that time was general manager of the dyestuffs department, came to me one day and said that they had had a fire and they needed some diphenylamine, which is, of course, extensively used, and in fact used more in the dye than any other place.

Senator CLARK. It is also used in the manufacture of smokeless powder.

Mr. CASEY. About one-half of 1 percent.

Senator CLARK. As a stabilizer.

Mr. CASEY. As a stabilizer. And he wanted to know if it was possible to take care of the situation if we could borrow that from the Government. I said, "No; such a thing is impossible." He said, "Could you effect a trade with them?" I said, "No. The only arrangement you can ever make with the Government is this: In any transaction you take up, whether it is the modification of an existing contract or otherwise, the Government will not agree unless by doing so they gain. They must have something to show as a gain."

Harrington said, "They are going to gain by this, because the diphenylamine made according to the specifications at the time it was made which the Government has now is of a much lower grade than the stuff we are now making." That is why this question of the blue book containing the specifications for the better grade of diphenylamine has been referred to several times.

Therefore, General Williams—I can see his viewpoint—felt this way: That while this is a reserve stock, that reserve stock, even under war-time conditions, would have taken an awfully long time to use up, 60,000 pounds. You can simply take one-half of 1 percent. But in addition to that——

Senator CLARK. Major Harris said it was really needed by the Government.

Mr. CASEY. What is that?

Senator BARBOUR. This memorandum states that Major Harris said it was really needed by the Government.

Mr. CASEY. Because it was part of their program of reserve. In other words, they could not dispose of it and not replace it.

Senator CLARK. This memorandum does not indicate that this diphenylamine that the Government had was of a much lower grade than the other. He said it complied with the ordnance specifications. He said, "These specifications are not quite as stringent as those set forth in the small blue advertising folder of the dyestuffs department."

In other words, it would not make much difference or it would not be much different.

Is it not a fact, reading from this memorandum, that as far as General Williams was concerned, the question of reconditioning was not raised with him? He just said, "I want to do it, and I have some grave doubts about it", and turned around to his subordinate and said, "Find a way to do it." When the subordinate talked to Mr. Henning they first brought up the question of sale, and Harris said, "We would not sell it because it is actually needed by the Government", and then as an afterthought, apparently, Mr. Henning suggested this subterfuge of reconditioning as a way of getting around the law.

It appears that there was a desire on your part to increase the amount of diphenylamine.

Mr. CASEY. We wanted to get as much as they were willing to let us have.

Senator CLARK. I call your attention to a memorandum from Mr. Henning, dated November 20, 1924, which was 3 days later than the one I just read, which I will offer to be marked with the appropriate exhibit number.

(The memorandum referred to was marked "Exhibit No. 999" and is included in the appendix on p. 2825.)

Senator CLARK. This memorandum says:

> Referring to memorandum no. 105, dated November 18, and following up the unfinished features of this, trip was made to Washington to negotiate details by which we would obtain the diphenylamine, also to increase the amount, if possible. Maj. C. T. Harris had given Maj. P. J. O'Shaughnessy instructions

to have a contract prepared acceptable to us, but at the same time complying with Ordnance Department procedure and the laws of Congress relating to contracts for ordnance material. Major O'Shaughnessy's first move was to consult the ammunition division as to their wishes, and especially the matter of detail of specifications. C. G. Storm handled this matter for the ammunition division, and inasmuch as this subject had been previously discussed with Dr. Storm on Monday, November 17, he was not inclined to make any trouble.

Mr. Casey. Would you mind reading the next paragraph, Senator?

Senator Clark. I would be glad to. [Reading:]

As a follow-up of this discussion, it will be desirable to send to the ammunition division again, for the attention of Dr. Storm, report of investigations carried out by the experimental station a number of years ago, indicating the effect of impurities in diphenylamine when used for stabilizing cannon powder. Also it will be in order to consider further revisions of the specifications for diphenylamine, taking advantage of the fact that we are now enabled to manufacture a pure product because of our experience in the manufacture of diphenylamine as an intermediate in preparing dyestuffs. The particular point is that the Ordnance Department specifications contain no requirement as to the percentage of diphenylamine in the product supplied, depending upon various physical tests such as melting point and the tests for certain impurities.

Our commercial specifications state that the diphenylamine offered will contain at least 99.5 percent diphenylamine. Major O'Shaughnessy would like to have made use of the new specifications for reworked diphenylamine as a justification for the contract for "reworking", but we convinced him that the time necessary to prepare and have approved new specifications was such that it was impracticable to do this.

All of this correspondence would indicate a very extraordinary desire on the part of all officers concerned to please the du Pont Co. and find some legal subterfuge or excuse for making this transaction, wouldn't it?

Mr. Casey. Senator, do you not think they were justified in trying to do that, because of the fact that they have always found the du Pont Co. ready and willing to do anything of that sort?

Senator Clark. If you ask my opinion, which is not so important, I do not think the War Department was justified in depleting its stock of essential ingredients for its powder to the extent of letting go of 60,000 pounds of what they had. Have you ever known of any case in your long experience, Major, in which the head of a department, or a branch of the War Department or Navy Department just simply issued orders to a subordinate to do something of this sort?

Mr. Casey. I cannot think of another one at the moment.

Mr. Irénée du Pont. Senator, bear in mind that 67,000 pounds represents 2 years' supply of diphenylamine for the Army. It is not a working supply, but a reserve supply, and it is important that its quality be kept up.

Senator Clark. That was an afterthought and a subterfuge for the future.

Mr. Irénée du Pont. Sixty-seven thousand pounds of diphenylamine will make 12,000,000 pounds of powder, and I think the Government plants make only 4,000,000 a year.

The Chairman. But assume that an emergency had arisen?

Mr. Irénée du Pont. They could not make 12,000,000 pounds of powder before we had the diphenylamine back to them.

Mr. Casey. We would have had the diphenylamine back long before they could use it.

Senator CLARK. Let us read the context [reading]:

> The contract prepared for reworking 60,000 pounds of diphenylamine and as eventually obtained, follows the laws of our "standard contract" as used in the supply of smokeless powder to the Ordnance Department. The provisions of the contract are made as simple as possible and require no bond for the performance.

So that the Government was loaning the du Pont Co. the most of its reserve supply without any bond for performance. [Continues reading:]

> Further, article VI relating to liquidated damages has been deleted and the date of delivery was made very liberal, that of March 31, 1925. We have arranged to have deliveries at Raritan Arsenal, and this point has to us the advantage of involving lower transportation costs than delivery to Picatinny Arsenal.

So that in addition to finding a way to do it, the officials of the War Department seemed disposed to be just as lenient as they possibly could on the matter, not requiring a bond for performance, or any provision for liquidated damages, such as is usually contained in such contracts.

Mr. CASEY. No; not always.

Senator CLARK. Your own man said, Major, that he took the standard contract which is used with the Government, and deleted these provisions from it.

Mr. CASEY. The standard contract provides both a bond and liquidated damages, but there is any number of cases where the Government says, "We do not want the liquidated damages in here because in a great many cases the liquidated-damages clause may require a higher price to safeguard it."

Senator CLARK. Your representative, Mr. Henning, apparently thought it was of sufficient importance, because he set it out. He says:

> The contract prepared for reworking 60,000 pounds of diphenylamine and as eventually obtained, follows the laws of our "standard contract" as used in the supply of smokeless powder to the Ordance Department. The provisions of the contract are made as simple as possible and require no bond for the performance. Further, article VI relating to liquidated damages has been deleted and the date of delivery was made very liberal, that of March 31, 1925. We have arranged to have deliveries at Raritan Arsenal, and this point has to us the advantage of involving lower transportation costs than delivery to Picatinny Arsenal.

He evidently thought it was of sufficient importance to put a feather in his cap about the good contract he had been able to negotiate.

Mr. CASEY. Wait a minute. Let us take into account personalities. Henning was a technical man. Whenever a technical man makes a report, he feels he is duty bound to save himself to report every blessed thing.

On the question of Raritan, there is a proposition there: The Government would prefer to have a part of their diphenylamine stock at Raritan, but that would have meant using some of their funds for transportation.

Another thing you meet by the contract is instead of their paying for the transportation of their own diphenylamine from Picatinny to Raritan they also got us to move the diphenylamine where they preferred to have it.

Senator CLARK. Now I call your attention to a night letter signed by Major Casey, directed to Maj. N. F. Ramsey at Picatinny Arsenal. He was the commanding officer in charge?

Mr. CASEY. He was the commanding officer in charge.

Senator CLARK (reading):

> Our truck will call at arsenal Thursday for load of diphenylamine. Will you please deliver approximately 10,000 pounds, in accordance with our agreement with Ordnance Department? Letter giving shipping instructions for balance of approximately 50,000 pounds follows.
>
> (Signed) K. K. V. CASEY.

So that you actually did take delivery of the diphenylamine?

Mr. CASEY. Yes; and the Government took delivery of diphenylamine with 99.5 of diphenylamine in it.

Senator CLARK. That letter may be appropriately numbered.

(The letter referred to was marked "Exhibit No. 1000" and is included in the appendix on p. 2826.)

Senator CLARK. I call your attention to a very strange communication, it seems to me, Major, about which I would like to find out the meaning [reading]:

CONFIDENTIAL MEMO FOR MAJOR CASEY

NOVEMBER 20, 1924.

Diphenylamine. Negotiations with Ordnance Department.

signed by Mr. Henning.

I will offer that for appropriate number.

(The memorandum referred to was marked "Exhibit No. 1001" and appears in full in the text.)

Senator CLARK [reading]:

> Referring to memorandum H–105 and 106 on the above subject, and to our conversation this afternoon, we have anticipated that further developments on this subject, especially those which may be brought about by the competitors of the du Pont Co. endeavoring to sell diphenylamine of foreign manufacture in this market, also the possible interest which American dyestuffs manufacturers might have in the transaction, should lead us to take steps to protect ourselves, as well as the Ordnance Department, from criticism. I thought it well, therefore, in discussing the subject freely with Maj. P. J. O'Shaughnessy, to state briefly the relation between American supply and our import laws, stating specifically that if Mr. H. A. Metz were able to establish that there was no American manufacture of diphenylamine that he should be able to sell foreign-made diphenylamine in this country without the purchaser paying the 40 percent ad valorem import duty. This statement came appropriately after a considerable general discussion of the importance to the Ordnance Department and to American defense of affording protection to American manufacture of dyestuffs. The Ordnance Department is apparently thoroughly appreciative of the importance of chemical industry in general to their plans for national defense. It was further stated that we recognize, and that they probably also recognize, that certain un-American interests are quite active in this country in breaking down the success and efficiency of the American dyestuffs industry, and that it might be anticipated that if any activities developed in this country in criticism of our action or of the Ordnance Department that they might be expected to originate with some such person as Mr. Herman A. Metz.

Mr. Metz was formerly comptroller of the city of New York and a former Member of Congress?

Mr. CASEY. I believe so, but I am not sure. I believe plenty of our people know who he is in connection with the dye industry.

Senator CLARK. I do not know his connection with the dye industry, but I know Metz and knew him in Congress.

What do you understand is meant by that memorandum? Do you get the impression, which is apparently conveyed by this memorandum, that you were manufacturing diphenylamine, and that any importer who competes with you would have to pay a tariff, and that was the only purpose of the manufacture of diphenylamine?

Mr. CASEY. Oh, no. Before the war I do not believe there was any diphenylamine made in this country. When we got into big production we had to devise a way to make diphenylamine. It was one of our big problems. Here is the close of the war. One of the important things from the standpoint of the United States Government was a source of supply in connection with the things needed in connection with the manufacture of all the important components. Diphenylamine was one of them.

Now, if foreigners were able to come in here and put us out of the business, it would have affected the national defense.

Senator CLARK. What did you understand by Mr. Henning going down and talking to this major in the War Department and explaining to him that if there was any criticism of this loan of the Government's reserve stock of diphenylamine, it would come from a man named Metz because of his tariff views?

Mr. CASEY. Do you not think, Senator, that we are interested in the integrity of this country as well as anybody else, and we are duty bound to inform the proper officer of what we thought might go on, if there was an opportunity given to help un-American interests, as we thought?

Senator CLARK. Apparently the thing about which you were informing the War Department was that unless they loaned you their reserve stock of diphenylamine, somebody else might use it as an argument for taking off the tariff on diphenylamine.

Mr. CASEY. Do you not think there is a sequence of dates there?

Senator CLARK. What is the sequence of dates?

Mr. CASEY. Was not this after the agreement was made?

Mr. IRÉNÉE DU PONT. About the same time.

Mr. CASEY. Or about the same time?

Senator CLARK. It was the day before the memorandum.

Mr. CASEY. Before the first memorandum, was it?

Senator CLARK. It was the same day, both dated November 20, 1924.

Mr. CASEY. Which one?

Senator CLARK. The one which I just read, in which he boasted of the contract secured, dated November 20, 1924, and, in addition to that, he wrote you this confidential memorandum in which he told you he had explained to Major O'Shaughnessy that if there was any criticism of this deal, it would come from un-American sources who were interested in breaking down the tariff.

Mr. CASEY. Senator, would you not have done the same?

Senator CLARK. How is that?

Mr. CASEY. Would you not have done the same, if you felt there was an un-American influence attacking our integrity?

Senator CLARK. You think that anybody who desires to import into this country in competition with your products is un-American.

Mr. CASEY. Oh, no; I would not say that. I say that any importation of material which will put out of business an American manufacturer of an essential component, involving the national defense, that that is an un-American activity.

Senator Clark. Yes; but, Major, what this memorandum indicates is that this man was down there negotiating a contract, the provisions of which were of doubtful legality, and in which it had been necessary to beat the devil around the stump by getting at the reconditioning theory as an excuse, and an agent down there turns around to the man who negotiated this very lenient contract and says, himself, that if anybody criticizes the loaning of the United States' reserve stock of diphenylamine, it will be from un-American interests.

Mr. Casey. Do you not think the purpose is clear?

Senator Clark. I do, and I want to know if you agree with me?

Mr. Casey. Major O'Shaughnessy was not the negotiator but the legal representative.

Senator Clark. He was preparing the contract?

Mr. Casey. Yes; he was preparing the details of the contract.

Senator Clark. Now, as a matter of fact, Major, you stated when you took the diphenylamine it was of poor quality and it was in poor condition and of varying qualities?

Mr. Casey. That is what I understand. The Government was really a distinct gainer by that transaction.

Senator Clark. And it afforded them an additional excuse after the fact for the transaction?

Mr. Lammot du Pont. Senator, I do not think you are quite fair in referring to that as an excuse. It was a reason.

Senator Clark. Mr. du Pont, the correspondence very clearly shows it was an excuse. Long before the question of reconditioning was ever mentioned by anyone, and before any such excuse was ever conceived of, General Williams said he was very doubtful of the legality of it, but said to his subordinate to go find a way to do it, and he then found a way to do something which was of doubtful legality, and, after two or three attempts, they hit on the reconditioning as an excuse.

Mr. Lammot du Pont. They found it a reason for it.

Senator Clark. After they had been ordered to make a contract, they found a reason for it. They found an additional reason for it.

Mr. Lammot du Pont. Correct. The reason was a better reason than they first thought.

Senator Clark. Apparently General Williams did not know any way when he ordered Harris to try to find a way to make the contract.

Mr. Lammot du Pont. I do not think that that is a fair statement, Senator. You do not know what was in General Williams' mind.

Senator Clark. All I have is Henning's statement.

Mr. Lammot du Pont. That may not be all he had in his mind.

Senator Clark. He stated it was of very doubtful legality, and told Harris to find a way to do it.

Then comes along a memorandum dated November 21, 1924, from Mr. Henning, which I will offer for appropriate number.

(The memorandum referred to was marked "Exhibit No. 1002" and appears in full in the text.)

Senator **Clark**. That reads:

Report No. 107–H–1924, Picatinny Arsenal, November 21, 1924.

The following subjects were discussed with Major Ramsey and Miles:

"1. Diphenylamine. 'Refining' of 60,000 pounds.

"Endeavored to ascertain in detail the origin, quality, condition of packages, etc. The stock of diphenlyamine on hand at the arsenal is all stored in building no. 218. It has not been carefully segregated as to lot numbers or origin. It stands on the arsenal records as consisting mostly of General Chemical Co.'s 'Lot No. 112.' It was shipped during the war to the Hercules Powder Co. at Kenvil on requisition no. HHK 879, and afterwards disposed of as surplus, being transferred to Picatinny Arsenal. Some few of the wooden barrels in which it is packed have tags indicating that it came from the General Chemical Co.'s 'Baker & Adamson Works' at Easton, Pa. Many of the wooden barrels are in poor condition, having inadequate hoops, and unless considerable care is taken in recording both gross and net weights received, there is a good chance for argument over the weight received. Many barrels are marked '250 lbs.' although there is obvious variation in size and weight.

"The diphenylamine is of a buff or brown color, possibly due to oxidation from storage in poor containers. Barium nitrate is now stored on top of some of the barrels, hence it would not be surprising if there were contamination from this source. The laboratory analyses are not conclusive as to the quality of the product, although mostly indicating that the diphenylamine does not strictly comply with the requirements of the Ordnance Department specifications. These deficiencies are color; insoluble content, and color of sulphuric acid solution. I have requested Picatinny Arsenal to write a letter transmitting to us copies of their laboratory tests; also I advised Major Ramsey that it was desired to place on record the fact that their stock of diphenylamine did not comply with specifications, was poorly packed, and in need of refining, and that this record might be needed to avoid criticism in the future. Major F. H. Miles accompanied the writer to the building in which the diphenylamine was stored, and assisted in the inspection, also search for laboratory records. At the first opportunity the information gained was passed on to Wilmington by telephone, on account of its possible effect on plans for handling the details of transportation, refining, etc."

Major, that would indicate that the Government—the War Department—had been very careless in its handling of its reserve stock of diphenylamine, would it not?

Mr. **Casey**. I would not say so. It came from the Hercules Powder Co. and had been transshipped as surplus, and the Lord only knows whether or not the barrels may have been broken, or something of the sort.

Senator **Clark**. I understand that, Major, but the fact that it was reserve, if the reserve was to be of any effect, it ought to be just as good as that in actual use, ought it not, and your own technical man, Mr. Henning, states that they were storing barium nitrate on top of some of the barrels, and that it was likely contamination would result from that source, and his whole description of the thing would indicate to any lay mind such as mine that the Government had been very careless in its taking care of the reserve stock.

Mr. **Casey**. Senator, I would not want to criticize, not knowing the situation.

Senator **Clark**. I can understand, since you do business with the War Department you might not be as free in your expression of opinion as you might otherwise.

Mr. **Casey**. Leave that out. I think that is not an indication of criticism.

Senator **Clark**. That was a confidential memorandum to you?

Mr. Casey. That is not confidential. But there may have been instances at such time that in moving stuff all around the country they could not exercise the care they would in ordinary times, in ordinary transportation in time of peace.

Senator Clark. It would seem to me from Henning's memorandum that the Government at some previous time had accepted diphenylamine as either short in weight or it did not meet the specifications.

Mr. Casey. That I do not know.

Senator Clark. That would seem to be the inference from the memorandum.

Mr. Casey. It might be possible as a result of our experience with inspectors.

Mr. Lammot du Pont. Senator, I agree with Major Casey that this is not a proof of carelessness. and I would also like to point out that this was an additional reason after the fact.

Senator Clark. I am not disputing that. It may be that the deal turned out to the advantage of the Government. I have not disputed that at any time. The Government got its diphenylamine back, I understand, before any emergency developed which might have required it, but the essential feature in the whole transaction is, it was stated by General Williams, without any qualifications whatever, to be of doubtful legality, yet he ordered it carried out.

Just to close up this transaction, I offer for the record a letter from the War Department, signed by Major O'Shaughnessy, addressed to the du Pont Co., dated December 22, 1924.

(The letter referred to was marked "Exhibit No. 1003" and appears in full in the text.)

Senator Clark. That reads:

> I am transmitting herewith, for your files, your number of the contract, fully executed, entered into with you under date November 19, 1924, covering reworking of 60,000 pounds of diphenylamine located at the Picatinny Arsenal.
>
> For the Chief of Ordnance:
>
> Respectfully,
>
> P. J. O'Shaughnessy.

Now. I call your attention, Major, to a memorandum dated December 4, 1924, which I will offer for appropriate number.

(The memorandum referred to was marked "Exhibit No. 1004" and appears in full in the text.)

Senator Clark. First, let me call your attention to the letter which I just read—"Exhibit No. 1003." It is very short, and I will read it again:

> I am transmitting herewith, for your files, your number of the contract, fully executed, entered into with you under date November 19, 1924, covering reworking of 60,000 pounds of diphenylamine located at the Picatinny Arsenal.

Now, from reading the files of the War Department, it would not be possible to determine what the nature of this contract was, would it?

Mr. Casey. That I do not know.

Senator Clark. That letter does not indicate what the contract was.

Mr. Casey. The letter might not indicate it.

Senator Clark. The letter says it was a contract for reconditioning. As a matter of fact, it was a loan of the powder to you, to be returned by a different grade of ingredient. That is what the contract really was, the Government really loaning you 60,000 pounds, and you returning 60,000 pounds of a grade that would conform to a more stringent specification?

Mr. Casey. Right.

Senator Clark. Now I read you another memorandum, signed by the dyestuffs department, by Mr. G. T. Barnhill, Jr., dated December 4, 1924, memorandum for the explosives department, attention W. S. Lynch, headed "Diphenylamine" [reading "Exhibit No. 1004"]:

> The du Pont Co., under a contract negotiated through the military sales division, has arranged to borrow 60,000 pounds of diphenylamine from the United States Government at Picatinny Arsenal; 50,000 pounds of the diphenylamine is now en route to Repauno to be reworked and the other 10,000 pounds has been delivered to the dye works and will not be reworked. As I understand the contract, the entire quantity of 60,000 pounds is to be returned to Picatinny Arsenal at a date specified in the contract.
>
> There have been no internal arrangements made for accounting in connection with this transaction, and since the replacement will be made from Repauno, it would seem proper for dye works to send an order to the explosives department for 10,000 pounds of diphenylamine to be billed at the present transfer price of 45 cents per pound.
>
> If this procedure is satisfactory, please advise.

Now, do you know whether that method was carried out, Major?

Mr. Casey. That I do not know. You see, that was not a transaction in which we were in any way involved. We simply got a copy of the letter.

Senator Clark. Do you know, Mr. du Pont?

Mr. Lammot du Pont. No.

Senator Clark. The point I make is, if that procedure were followed, suggested by Mr. Barnhill, then your own account books would not show the real nature of this transaction.

Mr. Casey. That may be the case. I do not know, Senator.

Senator Clark. Do you have any other instances of that sort, Major, where transactions were entered into which would not show in your accounts?

Mr. Casey. I do not think so. I cannot think of any. It might be, but I do not know.

I can say this: That there would not be anything of that sort unless it were to the advantage of the Government.

Mr. Lammot du Pont. Senator, it might be pertinent to mention that this matter of reworking military supplies is not unusual at all. Most of my powder experience has been in black powder, and it was a very usual thing for the Government to send the du Pont Co. black powder to be reworked.

Senator Clark. I understand that.

Mr. Lammot du Pont. May I continue a moment?

Senator Clark. Excuse me.

Mr. Lammot du Pont. The practice in reworking that was that practically never does the same powder go back which you receive. Literally it was impossible to do so. And it is a perfectly well-recognized fact that when the powder is reworked, the actual poundage which we returned was not that which we received.

Senator Clark. I can perfectly well understand that, Mr. du Pont. The actual point of this transaction which impressed itself on my mind was not as to whether it worked to the benefit of the Government. I can very readily understand that in the ordinary course the Government might have some powder, or any other ingredient of war, which might have deteriorated and needed to be worked over, and might take bids from suppliers of that particular munition, or that a man who was engaged in that business or a representative of a company engaged in that business might go to the War Department and say, " You have got some diphenylamine over there which has been here a long time, and we have improved the process, improved the quality, and why do you not let us work that over? "

That is one thing. But for a company which is engaged in private business for their own purposes, not for purposes of the Government but for their own purposes, to go to the Chief of Ordnance and say, " We need most of your reserve supply of diphenylamine ", and for him to say, " I have very grave doubt about the legality for it, but I will tell my subordinate, Major Harris, to go find a way to do it ", that, to my mind, is the outstanding and essential feature of this transaction in the matter of ordinary routine of the Government wanting some powder reconditioned.

Mr. Casey. Senator, I am willing to bet dollars to doughnuts that if you had been Chief of Ordnance at the same time, you would have done the same thing.

Senator Clark. I am willing to bet dollars to doughnuts I would not have done anything of the kind.

RELATIONS OF DU PONT CO. WITH THE STATE DEPARTMENT

Senator Clark. I call attention to a memorandum dated May 3, 1932, memorandum to Maj. K. K. V. Casey, signed by Colonel Simons, which I offer for appropriate number.

(The memorandum referred to was marked " Exhibit No. 1005 " and appears in full in the text.)

Senator Clark (reading):

> On my visit to Washington on Friday, April 29, I called on Capt. William Baggaley, Office of Naval Intelligence, and handed him a copy of the correspondence between the Mitsubishi Co. of Japan, and I.C.I. wherein it developed that the Japanese were trying to buy a du Pont mechanical dipper from the above British firm, and had been informed that it was not available.

Senator Clark. What is the mechanical dipper?

Mr. Casey. That is a dipper used in the process of manufacturing nitrocellulose; is it not, Mr. Bradway?

Mr. Bradway. Yes.

Senator Clark (reading):

> This enabled me to develop the point of view of Naval Intelligence on the sale of munitions or munition-producing machinery to the Japanese. The attitude of the Navy Department has not changed and they still believe it not only permissible, but desirable, for American firms to sell such material and equipment to the Japanese, basing their judgment on the fact that the Japanese will undoubtedly purchase what they desire anyhow, and that it is desirable for America to secure the business and the Navy to be informed of the amount and nature of the purchases, which information would be lacking if purchases were made in Europe.

It would not disclose anything as to the nature and amount of the purchases for the Japanese to have a mechanical dipper, would it?

Mr. Casey. No; but a mechanical dipper represents a certain capacity in powder.

Senator Clark (reading):

> Later on I called at the Office of Assistant Chief of Staff G–2—

That is Military Intelligence?

Mr. CASEY. Yes.

Senator CLARK (continuing reading):

> and similarly discussed the situation with Majors Wilson, Marley, and Kroner, with substantially the same results, that is to say, that the Army sees no objection whatsoever to our dealing with Japan.
>
> My conversations with all of these officers were confidential. They understand, of course, that I report my actions to my superiors, but at the same time they should not be embarrassed by the information herein contained reaching the State Department, especially since I had requested them not to report these conversations to the State Department.

Mr. CASEY. You left out one sentence.

Senator CLARK. I left out one sentence. I will be glad to read it.

Mr. CASEY. I wish you would.

Senator CLARK (reading):

> It was here stated that the announced policy of the State Department was not to hamper in any way trade with Japan, since any embargo would be regarded as an unfriendly act and tend to render more difficult the already delicate situation in the Orient.

Then he goes on to the paragraph which I just read, which I will read again:

> My conversations with all of these officers were confidential. They understand, of course, that I report my actions to my superiors, but at the same time they should not be embarrassed by the information herein contained reaching the State Department, especially since I had requested them not to report these conversations to the State Department.

Major, how does that square with the testimony we had here last week, that you never did anything about the sale of munitions without the permission of the State Department?

Mr. CASEY. I do not think I said that.

Senator CLARK. We had that repeatedly stated in connection with——

Mr. CASEY. I said where there was an embargo.

Senator CLARK. Where there was an embargo?

Mr. CASEY. Now, here is the point——

Senator CLARK. In other words, here you, through your representative, are actively seeking to prevent the State Department, which has control of our foreign relations, from learning of the conversations that you had with the War and Navy Departments.

Mr. CASEY. Within the last 6 months I was told this right in the State Department by a man I know pretty well. He said: "Casey, I wish you fellows would not come to us when you have a proposition to sell to a foreign government and ask us if we can give you permission. We have no right to either approve or disapprove of any such action unless there is an embargo, when it is then our job. When you come to us and ask us for permission, we have to go to work and simply say we cannot give you permission, nor can we disapprove of the shipment; but it only embarrasses us to have those questions asked."

Senator CLARK. Why would it embarrass the officers of the Military and Naval Intelligence with whom Colonel Simons had had his conversations for that information to reach the State Department?

Mr. CASEY. That I do not know.

Senator Clark (reading):

> My conversations with all of these officers were confidential. They understand, of course, that I report my actions to my superiors, but at the same time they should not be embarrassed by the information herein contained reaching the State Department.

That very clearly shows a definite effort to keep that information away from the State Department, which has control of our foreign affairs, and that is conclusively proven by the last part of the sentence, "especially since I had requested them"—that is, the du Pont representative had requested the Military and Naval Intelligence "not to report these conversations to the State Department." Yet they dealt with matters that might be of the most vital importance to our foreign relations.

Mr. Casey. Has not the position of the State Department been stated in the previous paragraph?

Senator Clark. It was stated what the impression was that the Military Intelligence had. But why, then, was it necessary for Colonel Simons to warn you against that information reaching the State Department, and stating that it would be an embarrassment to the Military and Naval Intelligence, and then stating that he had advised them not to report any of that information to the State Department?

Mr. Casey. Senator, I cannot speak for either the Military or Naval Intelligence as to their reason.

Senator Clark. I am getting at Colonel Simon's recommendation to you. He was your representative.

The Chairman. Major Casey, the date involved here is quite closely related to the Manchukuo controversy. Is there any relationship at all there?

Mr. Casey. That I could not tell you. You see, this inquiry did not come to us. It came to I.C.I.

Senator Clark. Yes; but the question of the discussion of policy was between your representative and Military and Naval Intelligence.

Mr. Casey. That is perfectly correct.

Senator Clark. I am not talking about where the inquiry came from. The point I am making is this, that a representative of the du Pont Co. went down and conferred with Military and Naval Intelligence on a question of policy which might conceivably have involved the United States in war.

Mr. Casey. I do not see that.

Senator Clark. And specifically requested them not to convey that information to the State Department.

Mr. Lammot du Pont. Senator, I think it is clear from this letter that the proposition had not reached a stage where it was important that it should be communicated to the State Department.

Senator Clark. I am not asking as to why it was important it should be communicated to the State Department, I am asking why it is important it should not be, which this memorandum clearly indicates was the desire.

Mr. Lammot du Pont. There were good reasons at that time why it should not be communicated.

Senator Clark. Do you know what they were?

Mr. Casey. No; they were Military and Naval Intelligence reasons.

Senator Clark. Do you know what the reasons were, Mr. du Pont?

Mr. Lammot du Pont. I do not know.

Mr. RAUSHENBUSH. Senator, may I point out that the inquiry had been addressed to the I.C.I., and Mitsubishi had been informed that the dipper was not available there, so the negotiations did come back to this country and to this company.

Mr. LAMMOT DU PONT. I understand the shipment was not made.

Senator CLARK. Just on this question of relations with the State Department I desire to drop back to another matter briefly. I call your attention to a letter dated March 15, 1926. This is the one of which you said you did not have a copy.

Mr. RAUSHENBUSH. No; we do not have that, I am afraid.

Senator CLARK. Well, I will come back to that in a minute. I will pass that for a moment.

Mr. du Pont, is the du Pont Co. receiving benefits of any P.W.A. money at the present time?

Mr. LAMMOT DU PONT. Not that I know of; I think not.

Senator CLARK. In contracts from the Navy?

Mr. CASEY. I think we are, Lammot. I think there was a Navy contract last year for some powder.

Mr. LAMMOT DU PONT. Have we got the benefits of P.W.A. money?

Mr. CASEY. They said it was P.W.A. money, because there were certain provisions in the contract which applied to the P.W.A. situation.

Mr. LAMMOT DU PONT. Mr. Casey is better informed that I am. I did not know it.

Senator CLARK. I call your attention to a memorandum dated January 12, 1924, from Major Casey, headed "Washington, D. C., January 11, 1934."

"Saw General Tschappat"—he is the Assistant Chief of Ordnance, is he not?

Mr. CASEY. Chief of Ordnance right now.

Senator CLARK. He was Assistant Chief at this time?

(The letter referred to was marked "Exhibit No. 1006" and is included in the appendix on p. 2826.)

Mr. CASEY. Yes; General Hof was then Chief of Ordnance.

Senator CLARK (reading):

> Saw General Techappat, who advised me that while they had had nothing definite regarding the Public Works money for the fiscal year 1935, that they were relying on the promise the President had made to The Assistant Secretary of War, Woodring, where he agreed to allot the Ordnance Department $6,000,000 per year for 2 years in order to enable them to continue with their ammunition projects.

Mr. CASEY. They got that. I believe it was urged by Secretary Perkins in order that they could keep their personnel at Picatinny Arsenal employed; otherwise they might have had to shut down.

Senator CLARK. How much of it did you get, Major; do you know?

Mr. CASEY. We may have gotten a couple of hundred thousand dollars out of it, something of that sort. I do not know.

Mr. LAMMOT DU PONT. Senator, I am confused on this matter. If we got any benefit of P.W.A. money, it must have been from the sale of goods which were paid for.

Senator CLARK. Yes; I assume that is true.

Mr. LAMMOT DU PONT. We cannot tell where customers get their money.

Senator CLARK. Apparently you knew. You may not have known personally, but it was within the knowledge of officials of your company.

Mr. LAMMOT DU PONT. We may have been told.

Mr. CASEY. I think in the case of the Army, I do not have any recollection at the moment that there were any provisions in the contracts we made with them directly referring to provisions of the P.W.A. We did have that with the Navy, however.

Senator CLARK. That was my understanding, Major. I have never been informed that you had any contracts with the Army involving P.W.A. funds, but you did have contracts with the Navy.

Mr. CASEY. Yes.

Senator CLARK. Which involved the use of allotments of P.W.A. funds.

Mr. CASEY. And therefore there were certain additional provisions put in the contracts to cover that situation.

By the way, Senator, you may remember my referring to an incident a little while ago. The next paragraph brings that out, on the first page.

Senator CLARK. What is that?

Mr. CASEY. This is the letter of January 12 from which you just read; the last paragraph on the first page.

Senator CLARK. Yes. I am just coming to that now, Major. I will ask you about it:

> Had quite a discussion with Major Borden——

Who is Major Borden?

Mr. CASEY. In charge of the small arms and anti-aircraft section of the Ammunition Division of the Ordnance Department.

Senator CLARK (reading):

> Had quite a discussion with Major Borden on the general topic of the sales of powder to foreign countries. Major Borden stated that they knew the position du Pont would take in such matters in case they should request that material not be supplied to a certain power but he asked if we would be willing to go a step further and refuse to supply material to a manufacturer of ammunition who in turn might be offering it to a foreign power where they were anxious to prevent this foreign power from getting ammunition. I soon gathered from Major Borden that he had in mind particularly .50 caliber powder and while he did not mention Cuba it was clear that he was referring to the shipment by the Remington Arms Co. of 100,000 rounds of .50 caliber ammunition. Major Borden advised me that the money for the purchase of 150,000——

It says "pounds"; "rounds" in one place, and "pounds" in another.

Mr. CASEY. One is powder and the other is rounds of ammunition.

Senator CLARK (reading):

> 150,000 pounds of .30 caliber powder had come about in this manner. After setting aside all the money secured from the Public Works last year they discovered they would have a slight surplus and, therefore, it was decided that rather than turn this money back to the Treasury they would utilize the surplus to buy what material they could for the next fiscal year's consumption.
>
> I discussed generalities with Colonel Wesson and Major Zornig.

Mr. CASEY. That is the incident I referred to a little while ago.

Senator CLARK. Yes.

Mr. RAUSHENBUSH. Major, in testifying about orders from the Army, were they or were they not accompanied with the special P.W.A. provisions that accompanied the Navy orders?

Mr. CASEY. I do not think they were.

Now, I am not going to take an oath to that effect, because I want to be sure when I make a positive "Yes" statement. But I really do not think they were. But we do know in the case of the Navy we had definite P.W.A. requirements to meet.

Mr. RAUSHENBUSH. Let us get it straight:

Are you under the impression that some of these other orders recently were from P.W.A. funds, as the letter seems to indicate?

Mr. CASEY. I do not think they were, because we did not have those provisions.

Mr. RAUSHENBUSH. And you are not quite sure about the provisions?

Mr. CASEY. I am not sure at all.

Mr. RAUSHENBUSH. Would Mr. Bradway or somebody else be able to testify there on that point?

Mr. CASEY. We can find out; if the matter is of sufficient importance, we can find out. We would have to get in touch with Wilmington.

Mr. RAUSHENBUSH. You testified further a moment ago about how it happened that some of those P.W.A. funds were allocated to the War Department, and stated that Miss Perkins, the Secretary of Labor, I take it, had asked that that be done.

Mr. CASEY. Of course, I have no first-hand information.

Mr. RAUSHENBUSH. You testified to it, it seemed, very positively, and then wanted to check where your information came from on that point.

Mr. CASEY. That is simply what I was told.

Mr. RAUSHENBUSH. Who told you on that?

Mr. CASEY. Somebody in the Ordnance Department. I could not tell you that.

Mr. RAUSHENBUSH. Somebody in the Ordnance Department?

Mr. CASEY. Yes.

Mr. RAUSHENBUSH. That is all I had, Senator.

Senator CLARK. I call your attention to a memorandum dated May 22, 1931, from Colonel Simons to Mr. T. R. Hanley, legal department.

(The letter referred to was marked "Exhibit No. 1007" and is included in the appendix on page 2827.)

Senator CLARK (reading):

> In reference to negotiations now being conducted between the du Pont Ammonia Corporation and a national or a foreign friendly government, I do not see any necessity at the present time of notifying either the United States State Department or Military or Naval Intelligence in view of the fact that the negotiations are confidential from a commercial standpoint.

A transaction of that sort might be partly commercial and partly military?

Mr. CASEY. This was considered, at the time at least that this letter was written, as a strictly commercial proposition.

Senator CLARK. And you did not feel it was necessary under such circumstances of transport of an essential munition to consult either the Navy or War Departments?

Mr. CASEY. It was not looked on as an essential munition, nor is it looked on as that today.

Senator CLARK. Ammonia?

Mr. CASEY. No. It is pretty far-fetched. You have to go through a number of processes, but let some chemist talk about that.

Senator CLARK. I am not a chemist. I am not going to undertake to examine you on chemistry.

I always understood that ammonia in time of war was a very important ingredient of several munitions.

Mr. CASEY. You realize, Senator, that in spite of the fact that we bent over backward in keeping Military and Naval Intelligence informed on everything, here was a case where we felt that at that time it was unadvised. Later on we told them all about it, when the transaction took place. It did take place, did it not? Or was that hydrogen?

Mr. IRÉNÉE DU PONT. I do not know what it is they are talking about. It is after my time.

Mr. LAMMOT DU PONT. It is not clear from this letter.

Mr. CASEY. I am not sure which it was.

The last paragraph of that sentence explains why it was not communicated to ONI and MID.

Senator CLARK. You mean the last paragraph?

Mr. CASEY. Yes.

Senator CLARK. This says:

> While I am firmly convinced that any information given to Military Intelligence or Naval Intelligence would be regarded and held as confidential, in view of the delicacy of the negotiations at the present time, I believe that no mention should be made until the other party of this negotiation has so arranged their affairs as to render the dissemination of the news as harmless.

Mr. CASEY. So you can see it was not a question of keeping it from them, but only for that particular moment.

Senator CLARK. That would be fully as true of the military sale of munitions as anything else would?

Mr. CASEY. If it was military we would have gone to them the very first minute we had the first nibble.

Mr. RAUSHENBUSH. It is military to the extent they refer to your department, is it not, Major? Yours is the military sales?

Mr. CASEY. No; it was not referred to our department. We learned of it, and there you are.

Mr. RAUSHENBUSH. This is a memorandum from "Military Sales."

Mr. CASEY. Oh, yes.

Mr. RAUSHENBUSH. To the legal department.

Mr. CASEY. That is for their information.

Mr. RAUSHENBUSH. The fact that it came to you, the only point I am making is that even at this date it was recognized as having some military significance.

Mr. CASEY. I do not think so. If anybody was going to contact the Government, we would be the ones. It is a possibility, however, that somebody might have asked us what would be the attitude——

Senator CLARK. Is Colonel Simons in your department?

Mr. CASEY. Yes.

Senator CLARK. That memorandum is signed by Colonel Simons?

Mr. CASEY. Yes.

Senator CLARK. Would that not indicate that it was a matter having to do with military affairs?

Mr. CASEY. I do not know what originally brought this letter up. It may have been that Tom Hanley requested of Simons, "What do they think about this in Washington?"

SUBMERGENCE OF GOVERNMENT POWDER UNDER WATER AT OLD HICKORY

Senator Clark. Major, do you know how much powder was left over in the hands of the Government at the end of the war?

Mr. Casey. I have a rough idea.

Senator Clark. It was at least 15,000,000 pounds?

Mr. Casey. Oh, no; more than that.

Senator Clark. I say, it was at least 15,000,000?

Mr. Casey. At least; that is enough for the purpose, I guess.

Senator Clark. I call your attention to a letter from Colonel Simons to Mr. W. H. O'Gorman at 16 Place Vendome, Paris, the second paragraph from the bottom:

> Major Casey was in Washington yesterday and was told that an inspector general has been appointed to look into the matter of putting the powder under water at Old Hickory. This officer, Col. Louis J. Van Schaick, of the Inspector General's Department, was put on the job by General Summerall and not by the Secretary of War as we had previously understood.
>
> Col. Van Schaick is an Infantry officer who knows little or nothing about powder, and is looking into the question as to whether the Ordnance Department was not culpable in putting the powder under water. He has also asked several officers if they own du Pont stock, etc., so that the investigation appears to take the nature of persecution rather than inquiry.

(The letter referred to was marked "Exhibit No. 1008", and is included in the appendix on p. 2828.)

Senator Clark. What is that Old Hickory business, Major? That has come up here; several of these letters refer to that.

Mr. Casey. I will tell you briefly what that indicates: It had been learned that France had put a terrific quantity of powder left over from the war under water. They put it in the glacial lakes in the Pyrenees, where the water was very cold. They seemed to be convinced in France that that was a splendid way to keep this powder from deterioration, which it probably would undergo through natural storage conditions. It might then be available for an emergency, a powder which could be taken out of water, dried, and promptly used. Remember that "promptly used." So the United States Government, I presume, naturally looked into the matter; we had reported all we had learned about the French experience, which was not very much. They felt, "Well, here we have a quantity of powder. We had better try this same thing." They did not have money to transport the powder to the northern part of the country.

Senator Clark. The War Department, was it?

Mr. Casey. The War Department. They did not have the money to transport the powder to the northern part of the country, so therefore they decided they would try this proposition, using some of the old tanks at Old Hickory, which, of course, is a little warmer than the Pyrenees.

Senator Clark. Where is Old Hickory?

Mr. Casey. Near Nashville.

I think about this time it was discovered that the powder was not remaining in the condition it was hoped, and we had learned that apparently the Secretary of War decided he had better investigate this proposition.

Senator Clark. How much powder did you put under water, Major, do you know?

Mr. Casey. That I do not know; at least 15,000,000 pounds.

Senator Clark. All they had?

Mr. Casey. Oh, no.

Senator Clark. You mean they just took 15.000,000?

Mr. Casey. I think they just took 15,000,000. There may have been more than that under water, but it was about that quantity. That is near enough for the purpose. So it was at the time that this memorandum was written we had learned that instead of it being the Secretary of War who had Colonel Van Schaick on the job making an inspection, as I understood it, he was from the Inspector General's Department. It was in reality General Summerall, Chief of Staff.

Senator Clark. Had the War Department done that on your advice, Major?

Mr. Casey. I do not believe so. We give them all the information we get.

Senator Clark. Why would they be investigating you in connection with it, then? I notice in a letter that was put in the record here a day or two ago—I believe you had written the letter—you referred to the unpleasant publicity growing out of the Old Hickory incident.

Mr. Casey. I do not know what that particular incident referred to, but in this case here, because we had given them certain information we had learned, Colonel Van Schaick, I guess, as an inspector general, felt that he could not say his investigation was complete unless he came after us.

Senator Clark. Do you consider it persecution for an officer from the Inspector General's Department conducting an investigation of that sort to inquire whether officers own du Pont stock?

Mr. Casey. We do not say that.

Senator Clark. Colonel Simons says it.

Mr. Casey. No; but the point is——

Senator Clark. He says:

> Colonel Van Schaick is an Infantry officer, who knows little or nothing about powder and is looking into the question as to whether the Ordnance Department was not culpable in putting the powder under water. He has also asked several officers if they own du Pont stock, etc., so that the investigation appears to take the nature of persecution rather than an inquiry.

Those questions seem to me to be entirely proper questions. I was trying to find out what you understood was in Colonel Simons' mind.

Mr. Casey. It looked at the time as if it was a question of trying to find a goat.

Senator Clark. Do you consider it an improper question for an inspector general to ask whether certain officers own du Pont stock?

Mr. Casey. I do not think it was at all improper. In fact, I think it was a good thing he did ask the question.

Senator Clark. You do not agree with Colonel Simons, then, that it was persecution?

Mr. Casey. I do not agree with everything Colonel Simons says.

Senator Clark. I understand. I am trying to find out what part of Colonel Simons' remarks you do agree with. Since we cannot have Colonel Simons here, I want to find out the impression these communications made on you.

Mr. Casey. In all this correspondence you have to take into consideration the peculiar characteristics of the man writing the letter.

Senator Clark. I understand that, and since we do not have Colonel Simons here, I am trying to find out from you, knowing Colonel Simons very well, just what was in his mind.

Mr. Casey. I am trying to tell you the best I can.

Senator Clark. Do you know whether all the 15,000,000 pounds that they put under water deteriorated? Were you informed about that?

Mr. Casey. I think it got to the point it was not longer satisfactory as powder, was not that it? Is not that right?

Mr. Bradway. Some of it was and some of it was not. But the larger calibers were still satisfactory.

Senator Clark. Do you know about the proportion of it?

Mr. Bradway. No; I do not remember.

Senator Clark. In other words, you do not remember what proportion of the 15,000,000 was spoiled and what was not?

Mr. Raushenbush. Senator, may I ask a question?

Senator Clark. Yes.

Mr. Raushenbush. Was this powder that had been manufactured at the Old Hickory plant?

Mr. Casey. I think it was.

Mr. Bradway. No.

Mr. Casey. No, no; shipped from other places, was it not?

Mr. Bradway. After the war the Government shipped into Old Hickory a great deal of powder from various parts of the country where it had been manufactured, and this happened to be 15,000,000 pounds of that quantity. It was not their whole reserve stock by any means.

Mr. Raushenbush. Are you pretty sure about that 15,000,000 figure? We were in some doubt about it a minute ago. Was it about 15,000,000 that was put under water?

Mr. Bradway. About 15,000,000 pounds.

Mr. Casey. They have always referred to a certain quantity of powder, including 15,000,000 under water. That is near enough.

Mr. Bradway. That was only a part of their reserve stock, I understand.

Mr. Raushenbush. About how much did that powder cost the Government, how much a pound? Do you remember the Old Hickory cost?

Mr. Bradway. I do not believe that this was powder that was manufactured at Old Hickory, but I suppose 45 or 46 cents.

Mr. Casey. I think that would be about an average.

Mr. Bradway. The cost at Old Hickory? That was not the cost at Old Hickory as I recall it.

Mr. Raushenbush. No; I do not want testimony on that. I am trying to get an average of what that powder cost the Government.

Mr. Bradway. I should say if you said it cost them 45 cents or 46 cents——

Mr. Casey. On the average.

Mr. Raushenbush. On the average?

Mr. Bradway. Somewhere between 40 and 50 cents.

Mr. **Raushenbush**. That is about $7,000,000 worth of powder; is that right?

Mr. **Bradway**. About that; when it was new.

Mr. **Raushenbush**. When it was new. And they put that $7,000,000 under water, and it deteriorated?

Mr. **Irénée du Pont**. Remember, it is 11 years old at this time, and the life of powder is supposed to be not over what? About 15?

Mr. **Bradway**. About 16 years old.

Senator **Clark**. What did they do with that?

Mr. **Casey**. I think they have disposed of about half of it. They did find some people who were able to use it for solvent solutions, lacquers, coating of textiles, and things of that sort.

Mr. **Bradway**. Understand that this putting that powder under water was not the cause for its apparently having decomposed or started decomposition. Powder manufactured during the war stored ordinarily also decomposes. They endeavored to safeguard that by putting it under water. It is a question of opinion whether at the time when they brought it up to the du Pont Co.—we did not know a whole lot about it, and we gave it as our opinion, as I recall, that if powder were placed under water, any traces of decomposition would probably stop; but that we did not consider it a very good idea, because after a long period of time, depending on the condition of the storage—that is, the temperature of the water and the changing of the water, and so forth—we did not consider over a long period of time it was a good practice, because the powder when it was taken out would have to be used right away. It was really for an emergency.

Senator **Clark**. Do you know anything about the result of the French experiment?

Mr. **Casey**. It is still there.

Senator **Clark**. Still in the water?

Mr. **Bradway**. Oh, yes; it is still in the water.

Mr. **Casey**. But they have different water.

I was just advised it is a standard practice. The Western Cartridge Co. have a considerable quantity of powder stored under water; I think at Newburgh they have a large quantity.

Mr. **Bradway**. We have stored powder under water that we were going to use for other purposes, but we have stored powder under water. We use it for lacquers and solutions and other things, a certain percentage.

Senator **Clark**. Not for munitions after you get it out of the water, unless you use it immediately; is that the theory?

Mr. **Bradway**. That is what we suppose. There is no experience on that yet.

Senator **Clark**. In other words, you do not know till somebody tries to use that powder that has been under water?

Mr. **Casey**. The French had the first experience on a large scale.

Senator, in connection with that, when General Hof first succeeded General Williams as chief of ordnance and he came across this FNH powder proposition, which was new to him, he said to me one day, " Casey, you have just upset our entire schedule. Here for years we have been predicating our question of reserve ammunition on powder with an expected life on the average of about 15 years.

Now, you have given us a powder that may last over 100 years. What are we going to do about it?"

That is what the new powder probably represents.

Senator CLARK. What did he do about it?

Mr. CASEY. The idea that powder would last so long was just inconceivable to him, but that is what the new powder means. We do not say 100 years.

Mr. BRADWAY. No; you have no right to say it will last 100 years.

Mr. CASEY. But that is the way we approached the problem.

Senator CLARK. You cannot say that until you get to be 140 years old.

Mr. CASEY. I can tell you some day about it.

RELATIONS OF DU PONT CO. WITH THE STATE DEPARTMENT

Senator CLARK. I hope we will both be here at that time.

Coming back to the question of the possibility of arming possible enemies, I will call your attention to a letter dated August 22, 1928, addressed to Col. W. N. Taylor, 16 Place Vendome, Paris, France.

(The letter referred to was marked as "Exhibit No. 1009", and appears in full in the text.)

Senator CLARK (reading):

> Replying to your letter T–1351 of August 9 in which you inquire if we can sell powder and explosives to H.I.H. in Holland——

Who is H.I.H., one of those Dutch names?

Mr. CASEY. One of those Dutch names. That is enough.

Senator CLARK (reading):

> which will be loaded in ammunition eventually destined for Russia.
>
> Discreet inquiries with the War Department in Washington indicate that they believe there is no legal or ethical bar to our negotiating this business.
>
> On a previous occasion we were permitted to see a staff memorandum which stated in part as follows:
>
> "There are no restrictions imposed by the United States Government on trade with Russia or with the Soviet regime. Individuals and corporations carrying on such trade, however, do so upon their own responsibility.
>
> "The State Department, however, views with disfavor trade with Soviet Russia in arms and munitions of war and has so informed several American firms who have asked their advice concerning such trade."
>
> In view of the above you are at full liberty to conduct such negotiations as may, in your judgment seem advisable, bearing in mind that it is not expedient that the State Department be consulted in any way directly or indirectly.
>
> Very truly yours,
>
> W. H. O'GORMAN, *Assistant Director.*

Mr. CASEY. That is another letter written to our own man.

Senator CLARK. Yes, but it certainly indicates a very outspoken desire to keep the State Department from finding out anything about it, doesn't it?

Mr. CASEY. The last paragraph would indicate that. Of course at that time, 1928, the memorandum that Simmons referred to in this letter which you are quoting was a memorandum which I understand was written several years before that, when the attitude of the State Department was different.

Senator CLARK. Yes, I understand, but, Major——

Mr. CASEY. Their attitude changed in 1925, which was brought out the other day.

Senator CLARK. In 1928 we had not recognized Russia and there was very strong sentiment in this country against doing so.

Mr. CASEY. Yes.

Senator CLARK. And this refers to that memorandum and states:

> "The State Department, however, views with disfavor trade with Soviet Russia in arms and munitions of war and has so informed several American firms who have asked their advice concerning such trade."
>
> In view of the above you are at full liberty to conduct such negotiations as may, in your judgment, seem advisable, bearing in mind that it is not expedient that the State Department be consulted in any way, directly or indirectly.

Mr. CASEY. The net result was that nothing came of it, and I do not believe——

Senator CLARK. I understand, but what I am interested in is the fact that you were willing and anxious to make this deal without any information to the State Department.

Mr. LAMMOT DU PONT. Senator, it does not say that.

Senator CLARK. Although you had been informed that the State Department had viewed such trade with disfavor.

Mr. CASEY. So the memorandum says.

Mr. LAMMOT DU PONT. Senator, you stated that incorrectly. It does not say that we were ready to make that deal. Colonel Taylor was authorized to negotiate.

Senator CLARK. You are not paying a man to stay in Europe and negotiate just to have him have the fun of negotiating for you?

Mr. LAMMOT DU PONT. No, sir; but when he is in the process of negotiating we may call it off at any time.

Senator CLARK (reading):

> In view of the above you are at full liberty to conduct such negotiations as may, in your judgment, seem advisable, bearing in mind that it is not expedient that the State Department be consulted in any way, directly or indirectly.

Mr. LAMMOT DU PONT. Now, as Major Casey says, Colonel Taylor understood perfectly well that we would not close that deal without the State Department's knowledge.

Senator CLARK. It certainly does not appear in the letter.

Mr. LAMMOT DU PONT. It does not appear there, but Major Casey explained that Colonel Taylor knows that is the policy.

Mr. CASEY. He is our man.

The CHAIRMAN. Are we to understand that in all matters of that kind, where negotiations were called for, you would not finally enter into any contract or any arrangement or agreement, without the consent of the State Department?

Mr. LAMMOT DU PONT. I won't say the consent. Not without their knowledge. As Major Casey has said before, they do not give their consent.

Mr. CASEY. Unless there is an embargo. Then they may give consent or they may not. But unless there is an embargo, as I stated before, they say we really embarrass them by asking them the question.

Senator CLARK. You were on occasion willing to go ahead with these deals, irrespective of the attitude of the State Department?

Mr. CASEY. We may start the negotiations.

Senator CLARK. I mean, go ahead with it irrespective of their attitude.

Mr. LAMMOT DU PONT. No, sir; not on military matters.

Senator CLARK. I call your attention then to an exhibit that we had here a minute ago, a letter dated March 15, 1926, addressed to Aiken Simons, which I will ask to have marked the appropriate exhibit number.

(The letter was marked "Exhibit No. 1010", and appears in full in the text.)

Senator CLARK. This letter is numbered 26 and if you have not got a copy I will be glad to read it to you.

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. This says:

> Major Strong, of War Plans, came to me the other day and asked me if I had any information of the Poles negotiating with American firms for the erection of chemical-warfare munitions plants in Poland. I had no such information. Further information indicates that the du Pont Co. was one of the American firms approached. I suppose, of course, you gave this information to the Chemical Warfare Service.

Had you given the information to the Chemical Warfare Service?

Mr. CASEY. I think so.

Senator CLARK (continuing reading):

> It would put us in a very strong position when the Geneva protocol comes up in Congress if we could definitely prove that the Poles are negotiating with our people for the erection of these plants.

Do you know why it would put the General Staff in a very strong position with Congress?

Mr. CASEY. I have not the slightest idea.

Senator CLARK (reading):

> I would like to take this matter up with the Commerce Department and have them use their machinery to locate any American plant which might be considering the erection of chemical plants in Poland, but in view of the fact that your information is usually given confidentially, I do not feel free to inform the Commerce Department (Mr. Concannon) of the source of our information. On your next trip to Washington I would like very much to go over with you and see Mr. Concannon, and for you to tell him the whole story. He would then go ahead and use all the machinery of the Commerce Department to locate the American firms who may be interested in this proposition.
>
> I presume you will be down this week, and, in case I am not here, Colonel Stone is thoroughly informed on this whole affair, and I will ask you to take it up with him.
>
> Sincerely yours,
>
> LEIGH,
> L. F. J. ZERBEE,
> *Major, General Staff.*

Then, on March 27, 1926, in the same connection, I have here a letter signed by Dwight F. Davis, Secretary of War, addressed to your smokeless-powder department, which I will ask to have marked appropriately.

(The letter referred to was marked "Exhibit No. 1011" and appears in full in the text.)

Senator CLARK. This reads:

> Receipt is acknowledged of your confidential letter of March 16 pertaining to the proposed establishment of a chemical warfare plant in Poland. I note that you do not believe that the du Pont Co. should undertake work of this sort for a foreign government without the written assent of the War Department. Since this is a matter which the Department of State must determine, I have submitted an extract of your letter to that Department (copy attached), and no doubt you will hear from that Department in a reasonable time.
>
> I appreciate your bringing this matter to my attention.
>
> Sincerely yours,
>
> DWIGHT F. DAVIS, *Secretary of War.*

Then a copy of his letter of the same date to the Secretary of State, which I will ask to have marked appropriately.

(The letter referred to was marked "Exhibit No. 1012" and appears in full in the text.)

Senator CLARK. This reads:

> The Honorable The SECRETARY OF STATE.
>
> DEAR MR. SECRETARY: The following extract is taken from a letter dated March 16, 1926, from the E. I. du Pont de Nemours & Co., smokeless powder department, military sales division, Wilmington, Del., addressed to the Secretary of War:
>
> "For your confidential information, we wish to advise that we are in receipt of communication from the Polish War Department in which it is requested that we submit a proposal on the establishment of a chemical warfare gas plant in Poland. We are attaching an extract from letter dated January 9, signed by the Chief of Army Administration, Republic of Poland.
>
> "We believe the du Pont Co. should not undertake work of this sort for a foreign government except on the written assent of the Secretary of War, stating that the project has the approval of the War Department, * * *."
>
> The extract from the letter of January 9 from Poland furnished by the du Pont Co. is appended.
>
> Since this is believed to be a State Department matter it is submitted to you, and the du Pont Co. has been so advised.
>
> I will appreciate very much any information you may be able to furnish me as to the action of the State Department in this matter.
>
> Sincerely yours,
>
> DWIGHT F. DAVIS, *Secretary of War.*

So that we have the matter brought to the attention of the Secretary of War in a confidential letter from the du Pont Co. and the du Pont Co. advised by the Secretary of War that the matter was outside his control and properly within the control of the State Department.

If you gentlemen have not been furnished copies of these letters we will see that you get them.

Mr. LAMMOT DU PONT. Thank you.

Senator CLARK. We now come down to a letter dated April 12, 1926, addressed to Col. W. N. Taylor at Paris, and signed by Major Casey, which I will also ask to have marked with the appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 1013" and is included in the appendix on p. 2828.)

Senator CLARK. This letter addressed to Colonel Taylor reads:

> Attached please find confirmation of our cable no. 330. You will note that we have decided to let Major de Lanoy quote direct to Poland through Mr. Klawe on the chemical warfare project.

Who was Major de Lanoy?

Mr. CASEY. Major de Lanoy was a private in the same regiment I was in 1898. He went out with the Seventy-first Regiment during the war. He was detached from that and later went with the Chemical Warfare and I believe was stationed likewise at Edgewood Arsenal when that was established. He then resigned, and was the first man to start making these tear-gas grenades for police departments. He was not very successful with them, however, but at any rate he started, and when this inquiry for a chemical-warfare proposition came from Poland it was not a thing that du Pont either wanted or was prepared to handle, so we simply turned the matter over to de Lanoy for such action as he saw fit, stating that we would advise he get in touch with our agent Klawe in Warsaw as the man who might be able to assist him. But it is a matter that we had nothing further to do with.

Senator CLARK (reading on):

> It is quite essential for you to know the company's attitude toward this project, and we will therefore give you the details as follows:
>
> When the inquiry was first received from the Polish War Department we consulted Major de Lanoy and asked him to prepare a detailed proposal for submission to Poland, either directly by him or by the du Pont Co., in which latter case deLanoy was to act as our technical adviser. We also referred the matter to our dyestuffs department and asked them to prepare a proposal. Our dyestuffs department decided that we were not in possession of complete technical details which would enable us to handle the Polish warfare project, and that unless we could secure the complete cooperation of the United States Ordnance Department, particularly the Chemical Warfare Section, it would be useless for us to undertake the construction of the chemical warfare plant.

That was because you did not have sufficient technical knowledge to proceed without the information that the War Department had?

Mr. CASEY. That was one reason.

Senator CLARK. I mean that is the reason assigned there.

Mr. CASEY. Yes; so far.

Senator CLARK (continuing):

> To obtain the cooperation of the War Department we addressed the Secretary of War, who in turn submitted our question to the State Department. After many weeks we received a reply from the State Department which was quite evasive and left us in the same position that we were when the Polish inquiry was received. We decided that we could not get a firm assurance of cooperation from the War Department because of the position taken by the State Department and thought it best to let Major de Lanoy proceed and submit his proposal.

In other words, it is not only a question of submission but of cooperation from the War Department and their technical staff?

Mr. CASEY. Yes.

Senator CLARK (reading on):

> We have addressed the Polish War Department on this subject, with copy of letter to you, also copy to Mr. Klawe.
>
> Major de Lanoy is willing to let Mr. Klawe act as his agent in this matter and has included in his price a commission of 5 percent for Mr. Klawe. Major de Lanoy will send his proposal to Mr. Klawe, who inturn will present it to the Polish War Department in de Lanoy's name. Major de Lanoy will write Mr. Klawe in detail and we will keep you posted on developments from this end. If de Lanoy is awarded a contract, we will receive no commission.

You would have supplied him with some materials, wouldn't you, Major?

Mr. CASEY. I don't think so. We might have supplied him with some minor things.

Senator CLARK. This goes on:

> The matter will be handled entirely by de Lanoy and Klawe. We cannot afford to arouse the criticism of the State Department, because you are familiar with the position they take on chemical-warfare gases. If we were in possession of complete technical details which would enable us to construct and operate the proposed chemical warfare plant, we would undertake the project regardless of the attitude taken by the State Department.

Major, that seems at variance with your statements that you would not proceed without the permission of the State Department.

Mr. CASEY. Yes.

Mr. Irénée du Pont. Without their knowledge, not permission.

Senator Clark. I asked him if he would proceed against the objections of the State Department, and he said, "No."

Mr. Irénée du Pont. But the State Department did not object.

Senator Clark. I understand, Mr. du Pont, but here he says that the reason shown previously in this memorandum for not proceeding with the negotiation was that you were not in possession of sufficient technical information to do it, without that deficiency being helped out by technical information from the technical staff of the War Department, and then he goes on:

> If we were in possession of complete technical details which would enable us to construct and operate the proposed chemical warfare plant, we would undertake the project regardless of the attitude taken by the State Department.

Mr. Irénée du Pont. Well, their attitude was noncommittal.

Senator Clark. I understand.

Mr. Casey. Senator, there is another angle to this. Poland by this time had begun to rely on us. We did not want to make them feel that we were unwilling to undertake the job that they thought we could do. Further than that, with the evasive reply from the State Department, we did not want to go back to them and embarrass the State Department by saying that the State Department objects, because the Polish Embassy would pretty certainly get after the State Department. That was what was meant by the previous statement of mine.

Senator Clark. But what you said was that if you were able to do it from the standpoint of technical preparation, you would go ahead regardless of the State Department.

Mr. Casey. All right. That would enable the Department to take our letter and show it to the Poles.

Senator Clark. That is some more sales talk, is it?

Mr. Casey. Yes; sales talk.

Senator Clark. Major de Lanoy seemed to learn some technical trade expressions from this investigation, if nothing else.

> Major de Lanoy seems to be in this position, and we are sure no criticism will be directed against him for technical services which he may render to the Polish Government.
>
> We regret the delay, etc.

Mr. Casey. I believe that instead of the job being done in a short time it took about twice as long as expected.

Mr. Raushenbush. It was done by Major de Lanoy, was it not?

Mr. Casey. We had nothing whatever to do with it.

Mr. Raushenbush. Didn't you sell him some material?

Mr. Casey. I don't think we sold him any material. We did assist him in getting some equipment from other manufacturers, because he had nobody in this country to represent him. I did that purely out of my own friendship with de Lanoy.

Senator Clark. There is one letter here which I should have put in previous to the one that I just read, which I will ask to have marked with the next exhibit number.

(The letter referred to was marked "Exhibit No. 1014", and is included in the appendix on p. 2829.)

Senator CLARK. This is dated April 5, 1926; and to make the record complete, I will read that also. It is a letter from Major Casey to Col. W. N. Taylor in Paris.

> We acknowledge receipt of your cable no. 412 and confirm our reply no. 329.
> Chemical Warfare Plant—Poland.
>
> As soon as we received the letter from the Polish War Department requesting us to submit a proposal on the installation of a chemical-warfare factory in Poland, we conferred with Major de Lanoy and turned the matter over to him. He in turn has worked up a detailed proposal which has been in our hands for several weeks. The project was fully discussed with our dyestuffs department and it was decided, from a policy standpoint, that the du Pont Co. would not bid on the project unless we received a complete authorization from the War Department. We accordingly addressed the War Department and asked them to state their position in connection with the inquiry. The War Department in turn submitted the matter to the State Department and no decision has been received from the State Department as yet. In the event that the State Department takes the attitude that we should not bid, we will turn the matter over to Major de Lanoy, who will immediately submit a proposal. He will forward the proposal to Mr. Klawe and Klawe can act in his behalf.
>
> We have had several cablegrams from Mr. Klawe on this subject and replied to him, stating that the proposal would go forward about March 15th. This occurred, however, before the policy of the du Pont Co. had been determined. The submission of the project to the War Department has greatly delayed forwarding the proposal in question. It is hoped, however, that a decision will be reached before the end of this week, in which event a proposal will go forward either from du Pont or from de Lanoy.

I just read that for the purpose of completing the record.

Mr. CASEY. That practically confirms what I stated.

The CHAIRMAN. Is this a convenient place to stop, Senator?

Senator CLARK. Yes; this is a convenient place to quit.

The CHAIRMAN. Let the committee be in recess then until 2 o'clock.

(Whereupon, at 12.48 p. m. the committee recessed to 2 p. m. of the same day.)

AFTERNOON SESSION

The hearing was resumed at 2 p. m., pursuant to the taking of the recess.

The CHAIRMAN. The committee will be in order.

Mr. LAMMOT DU PONT. Mr. Chairman, may I interject something? At the close of the session a letter was put in evidence from the Secretary of War stating that he was referring to the State Department this complaint of the construction of a chemical warfare gas plant in Poland, and that no doubt we should hear from the State Department in due course. I thought at the time that the reply of the State Department, the letter from the State Department to us, had been put in evidence, but I find that that is not so.

I would like to read that letter into the record. Your secretary has a copy of it.

The CHAIRMAN. Very well.

Mr. LAMMOT DU PONT. And enter it into the record.

The CHAIRMAN. You may read it.

Mr. LAMMOT DU PONT. It is not a very long letter, a page and a half. This is from the Department of State, dated April 8, 1926, addressed to the du Pont Co. [Reading "Exhibit No. 1015":]

> The Department has received, under date of March 27, an extract from your letter to the Secretary of War of March 16 with reference to the request which you have received from the Polish War Department for the establishment

of a chemical warfare gas plant in Poland. In this letter you state that in your opinion this work should not be undertaken without the consent of the War Department.

In referring your inquiry to this Department the Secretary of War stated that he believed this to be a matter for the Department of State and indicated that you had been so advised.

It is not the practice of this Department to undertake to intervene in private business transactions of the character covered by your letter or to give or to withhold assent. It is possible that in referring the matter to the War Department you had in mind that American representatives have signed agreements with respect to the prohibition of the use in time of war of poisonous gases; provisions of this character being included in a treaty signed at Washington on February 6, 1922, and in a protocol signed at Geneva June 17, 1925. While it would appear that these instruments would have only an indirect bearing upon the proposal which has been submitted to you, even if such treaties had been ratified, the treaty and protocol in question are not now in effect since ratifications have not been deposited.

In conclusion it may be stated that it has been the policy of this Government to favor international agreements for the prohibition of the use of poisonous or noxious gases in time of war.

I am, sirs, your obedient servant,

(Signed) Frank B. Kellogg.

The Chairman. What is the date, Mr. du Pont?

Mr. Lammot du Pont. This is dated April 8, 1926, and refers to the letter of March 27, from the War Department to the State Department.

The Chairman. Do you consider the letter rather evasive?

Mr. Lammot du Pont. Who, me?

The Chairman. Yes.

Mr. Lammot du Pont. Yes; I do. [Reading:]

> It is not the practice of this Department to undertake to intervene in private business transactions of the character covered by your letter or to give or to withhold assent.

That, in the vernacular, means, to me, "ducking the question."

Senator Clark. And it was on the basis of your considering it evasive that Major Casey 4 days later wrote Colonel Taylor and said:

> If we were in possession of complete technical details which would enable us to construct and operate the proposed chemical warfare plant, we would undertake the project regardless of the attitude taken by the State Department.

Mr. Lammot du Pont. That is not the explanation which Major Casey gave, I believe.

Senator Clark. Major Casey speaks in this same letter, which was entered as "Exhibit No. 1013", 4 days after the receipt of the Secretary of State's letter, written to obtain the cooperation and not permission, which is an essentially different matter, to obtain the cooperation of the War Department:

> To obtain the cooperation of the War Department we addressed the Secretary of War, who in turn submitted our question to the State Department. After many weeks we received a reply from the State Department which was quite evasive and left us in the same position that we were when the Polish inquiry was received.

Then, in the same letter, he continues:

> If we were in possession of complete technical details which would enable us to construct and operate the proposed chemical-warfare plant, we would undertake the project regardless of the attitude taken by the State Department.

Mr. LAMMOT DU PONT. You will remember that Major Casey explained that that letter was worded with the probable object or probable eventuality that it would be shown to the Polish authorities.

Senator CLARK. Yes; I understand that.

Mr. LAMMOT DU PONT. It was worded so as not to offend the Poles.

Senator CLARK. But the situation was that what you were apparently after was not only the permission but the technical knowledge and cooperation of the War Department. Major Casey put in this letter, in so many words, that—

> We could not carry out the contract, if we get it, without the cooperation of the War Department.

Mr. LAMMOT DU PONT. So the letter states.

Senator CLARK. Not the letter of the Secretary of War. The letter from Major Casey to Colonel Taylor states it.

Mr. LAMMOT DU PONT. Yes, sir.

Mr. CASEY. Does not the later letter clear it up?

Senator CLARK. Then you say that you regard the letter of the Secretary as too evasive; and then you say, if you were expected to go ahead and carry out the contract, you would do it regardless of the State Department.

Mr. IRÉNÉE DU PONT. Not regardless of the State Department but regardless of the attitude of the State Department, being noncommital; their attitude being noncommital, we would disregard it.

Senator CLARK (reading):

> If we were in possession of complete technical details which would enable us to construct and operate the proposed chemical-warfare plant, we would undertake the project regardless of the attitude taken by the State Department.

Mr. IRÉNÉE DU PONT. What is the attitude taken by the State Department? Noncommital.

Senator CLARK. I understand you are going into it regardless of what their attitude might be.

Mr. IRÉNÉE DU PONT. It does not say that.

Senator CLARK. That is the inference to be drawn: "We are going to do it regardless of the attitude of the State Department."

Mr. IRÉNÉE DU PONT. We have the attitude of the State Department.

Mr. LAMMOT DU PONT. Senator, has the State Department letter been assigned a number?

Senator CLARK. That may be marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 1015" and appears in full in the text on p. 2689.)

INFLUENCE OF MUNITIONS COMPANIES ON THE POLICIES OF GOVERNMENTS

Senator CLARK. The other day there was some discussion came up between Senator Vandenberg and some of you gentlemen as to the possible influence, or influence, of munition companies on the policies of governments. In that connection I desire to offer for appropriate number the letter of May 2, 1928, to Major Casey from William N. Taylor, by Fred G. Singer.

(The letter referred to was marked "Exhibit No. 1016" and appears in full in the text.)

Senator CLARK. That is headed "Status of Negotiations." [Reading "Exhibit No. 1016":]

Poland.—For the moment, powder sales are held up on account of the diplomatic action of the Swedish Government. We are doing all we can to get counterpressure put on by the British Government.

Do you know what Colonel Taylor was doing to get counterpressure put on by the British Government?

Mr. CASEY. I do not know anything he did, but notify I.C.I. of the apparent action taken by the Swedish Government.

Senator CLARK. You do not know what he meant when he said:

We are doing all we can to get counterpressure put on by the British Government.

Mr. CASEY. All I know is what he said.

Senator CLARK. Do you not have any further information on that?

Mr. CASEY. No.

Mr. RAUSHENBUSH. Do you not remember the Bofors interest in Sweden putting pressure on Sweden?

Mr. CASEY. So we heard.

Senator CLARK. I offer for appropriate number a memorandum by Colonel Simons dated October 5, 1926, headed "S-44 Washington—September 30, 1925."

The letter referred to was marked "Exhibit No. 1017" and appears in full in the text.)

Senator CLARK. I direct your particular attention to the last paragraph on page 2, Major [reading]:

Called on Major Burns of the Office of the Assistant Secretary of War, in reference to the article prepared with the assistance of the du Pont Co. for publication in some popular magazine. Major Burns looked up this matter and reported that the article had been passed on by General Williams as satisfactory and had then gone to the various branches of the General Staff who returned it to General Williams with full approval of all except one passage of three or four lines which the General Staff regarded as controversial and to be revised or omitted. When this revision is made, it is expected that the article will be published over General Williams' signature.

It indicates that you were actually preparing articles for the Chief of Ordnance of the United States Army to sign. Does not that pretty well reflect the relationship between the War Department and the du Pont Co.?

Mr. CASEY. Would you mind if I read the entire letter?

Senator CLARK. Not at all. [Reading "Exhibit No. 1017":]

Called on Colonel Pegram who advised me that the matter of the small arms targets sent by the Canadian Government as a present to the United States Government had at last been straightened out. These targets had been sent to Rock Island Arsenal where a thorough study was made of them, the general result being that they were considered an infringement of the Aiken patents and very much inferior mechanically to the Aiken design. However, a courteous letter will be sent to the Canadian Government through the channels of the British Ambassador at Washington.

Were you concerned about these targets, Major?

Mr. CASEY. Only to this extent: I took up a rifle team to Canada in 1924, and in watching their operation I got the Dominion of Canada Rifle Association to agree to send down for examination by our people that form of target.

Senator CLARK. It is not material [continuing reading]:

> I also learned from other sources that the State Department had consented in principle to the visit of a military mission from Holland to buy munitions in this country, it being a known fact that the Hollanders are very much dissatisfied with the treatment they are receiving from the French and British munitions manufacturers. The personnel and time of arrival of this mission has not yet been announced.
>
> It was also learned on excellent authority that a decided change of policy in the publication of military secrets has been inaugurated by the War Department.

Do you know what that was?

Mr. CASEY. No; I do not.

Senator CLARK. It affected you, disclosures by the War Department of military secrets?

Mr. CASEY. I do not think it had anything to do with that.

Senator CLARK. This change in military policies had nothing to do with you?

Mr. CASEY. No.

Senator CLARK (continuing reading:)

> Called on Major O'Shaughnessy of the Ordnance Department in reference to my visit to Old Hickory. Major O'Shaughnessy informed me that it would be impossible for Captain Fidlar to accompany me, since his presence was urgently needed in Washington at a meeting of the district chiefs. Major O'Shaughnessy provided me with a letter of introduction to Sergeant Larsen who is in charge of the so-called "ordnance reserve depot" at Old Hickory. It was also learned that a bid of $15,000 was expected from a New York dealer for the powder-making machinery advertised for sale.

Do you know why the War Department would be telling the du Pont Co. what sort of bids would be received for the powder-making machine at Old Hickory?

Mr. CASEY. I have not the slightest idea.

Senator CLARK. What was Colonel Simons doing at Old Hickory? Do you know?

Mr. CASEY. I think he was going down there to inspect some machinery offered there for sale.

Senator CLARK (reading):

> Called on General Joyes who discussed with me a list of thesis subjects appropriate for graduating students in the colleges where there is an ordnance R. O. T. C. The list prepared by General Joyes impressed me as extremely good in that it brought about a study of subjects of equal importance to the Ordnance Department and value to the student in question. General Joyes also called my attention to an article published in French which he is having translated. This article is A Lecture Delivered on the 29th of February 1920 on the Manufacture of Powders and Explosives, by M. l'Heure. This is a pamphlet of 64 pages printed in Paris by Librairie de l'Enseignement Technique.
>
> Called on Dr. Storm, who seemed to be very much concerned about the difficulty of securing possession of the tracings covering the design and layout of the smokeless powder plant at Old Hickory.

Do you know what that was?

Mr. CASEY. No; I do not.

Senator CLARK. It is not material [continuing reading]:

> Called on Major Burns, of the Office of The Assistant Secretary of War, in reference to the article prepared with the assistant of the du Pont Co. for publication in some popular magazine. Major Burns looked up this matter and reported that the article had been passed on by General Williams as satisfactory and had then gone to the various branches of the General Staff who returned it to General Williams with full approval of all except one passage of three

or four lines which the General Staff regarded as controversial and to be revised or omitted. When this revision is made, it is expected that the article will be published over General Williams' signature.

Mr. CASEY. I think I recollect that incident. This was in connection with an effort on the part of Major Burns to get General Williams to write an article for the Saturday Evening Post on the general problem of national defense. General Williams said he did not have the time; that if an article was prepared that he was satisfied with he would put his name to it.

Burns did not have the time to prepare such an article on account of his job in the Office of Assistant Secretary of War. The result was that Mr. Byrnes in our company, I think, prepared the article, or one was submitted. After this letter was written it was decided that probably the article had better not be published, so that it was never published.

Senator CLARK. The only point I am getting at, Major, is that it does show the very close relationship between your company and the War Department for you to be preparing, through your own personnel, articles to receive the signature of the Chief of Ordnance of the United States Army.

Mr. CASEY. But realize this: Before he put his name to it, he would have to be fairly satisfied.

Senator CLARK. He would read it over, I understand.

The CHAIRMAN. Senator Clark, will you pardon us long enough so that there may be offered for the record a letter which is dated today, December 11, 1934, to the committee, by Leo Kohn, who has been mentioned in connection with the testimony here? I shall read the letter and offer it for the record [reading]:

At the end of September 1934 my attention was called to an article appearing in the New York American of September 15 reporting a session of your committee of September 14. A letter of one Col. William N. Taylor, Paris representative of E. I. du Pont de Nemours & Co., addressed to Maj. K. K. V. Casey, was read. Your exhibit No. 507.

In this letter one Leo Kohn, of 90 West Street, New York City, was mentioned; further, one James Magnus & Co., of Hamburg, Germany, was mentioned.

I am the Leo Kohn, of 90 West Street, New York City, and my brother, Karl A. Kohn, is the owner of James Magnus & Co., of Hamburg, Germany.

I have communicated with my brother regarding Colonel Taylor's letter, exhibit no. 507. Neither he nor I have ever been directly or indirectly connected in the remotest sense with anything that has to do with ammunitions, guns, etc.

Colonel Taylor, I charge, has deliberately lied in this letter about my brother and myself, and I would ask you to permit me to testify before your committee.

I wish to add that I also communicated with Mr. A. Felix du Pont and received a very unsatisfactory reply. I have this letter with me, as well as the correspondence with my brother.

Thanking you for your cooperation, I am,

Very truly yours,

LEO KOHN.

(The letter referred to was marked "Exhibit No. 1018" and appears in full in the text.)

Senator CLARK. Major Casey, to go back to that exhibit again, did the du Pont Co. bid on the powder machinery advertised for sale at Old Hickory?

Mr. CASEY. Yes.

Senator CLARK. Do you remember how much they bid?

Mr. CASEY. I think probably more than double the price here mentioned. But that probably was in the nature of a proceeding such as this. As we understood it, the Government had to get off the property at Old Hickory. It had been sold to the Nashville Industrial Corporation or some such company. They had a lot of powder-making machinery and they were very anxious to have someone take the machinery.

They asked us if we would not undertake to purchase this machinery so as to hold it, with the understanding that if we did get an opportunity to dispose of it and took it up with them they would then decide as to whether or not there was sufficient balance left so that we would be justified in disposing of it.

Therefore we put in a bid on this machinery.

Senator CLARK. Do you know how much the bid was, Major?

Mr. CASEY. I have not got the exact amount.

Senator CLARK. Have you got it in your records?

Mr. CASEY. Yes, sir.

Senator CLARK. Will you look it up and supply it for us? [1]

Mr. CASEY. Certainly. The result was that we did take the machinery, and, I think, with the exception of one piece of machinery, it is all in this country today.

Senator CLARK. I am not interested in where it is located today. I am interested in the question as to whether it is not bad practice for the War Department to be telling one prospective bidder a bid they expect from another prospective bidder.

Mr. CASEY. The only point is this: The other bidder would bid on it as junk. We are bidding on the basis of holding that machinery intact. Their bid, or any junk dealer's bid, would have no influence on the purpose we were trying to assist the War Department in doing.

Senator CLARK. That is the reason they told you what bids were expected.

Mr. CASEY. That may be; I do not know.

Senator CLARK. I call your attention to a letter dated January 26, 1929, signed by C. I. B. Henning, technical director, addressed to Dr. C. M. Stine, chemical director, which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 1019" and is included in the appendix on p. 2830.)

Senator CLARK. That is headed "Cooperation with Chemical Warfare Service." [Reading:]

> Confirming informal discussion with you yesterday, there are a number of reasons why our contact with the Chemical Warfare Service should follow principles similar to our contact with the Ordnance Department, United States Army, and Bureau of Ordnance, United States Navy. We recognize the essential difference that for the present there is prospectively little to sell to Chemical Warfare; also that the company's developments in fundamental research are of such a character that the writer, for instance, is not a competent judge of what is and what is not important to the other industries with which this department is not connected; and hence our suggestion that individuals in the chemical department and the company's laboratories be careful to refer all

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[1] On March 29, 1935, the du Pont Co. informed the committee that the purchase price of the Old Hickory machinery amounted to $15,000. The purchase of necessary land, buildings, and incidental expenses for the storage of the machinery amounted to $14,500.

these questions to you personally before passing information on direct to individuals from Edgewood Arsenal or Chemical Warfare Service's officers in Washington.

It is also appropriate to review a little of the past history of this subject. In February 1924 question was raised as to our assisting Dr. Rossi, an important Italian chemical manufacturer, with technical advice in the erection and putting into operation of a plant in Italy for the manufacture of war gases for the Italian Government. Mr. Irénée du Pont wrote General Fries under date of February 4, 1924, stating, "We believe the du Pont Co. should not undertake work of this sort for a foreign government except on the written request of the Secretary of War stating that it is done in the interest of the United States Government and, in the present case, authorizing the Chemical Warfare Department to give us such assistance as they feel is justifiable to aid us in properly doing the work, in return for which this company will keep the Chemical Warfare Department posted with such information as we may obtain." No answer was forthcoming from General Fries for some time, and on December 2, Mr. Irénée du Pont and Mr. A. Felix du Pont attended a meeting in the office of the Secretary of War, at which were present Assistant Secretary of War Davis, General Williams, Chief of Ordnance, and Colonel Ferguson. It was found that after the matter was explained to Secretary of War Weeks, he was entirely in sympathy with the proposition and promptly arranged for an interview with the President. The entire party, with the exception of Colonel Ferguson, put this matter up to Mr. Coolidge, who promptly grasped the basic principles and in a few words stated what practically amounted to the "munitions policy."

What was that policy?

Mr. CASEY. The policy is a pretty long proposition.

Senator CLARK. It says President Coolidge stated it "in a few words."

Mr. CASEY. I believe President Coolidge could probably do that, but the munitions policy was pretty well described by General Williams in a speech he made, which was printed in the Army Ordnance Magazine several years before that.

Senator CLARK. Can you give us the essentials of the munitions policy?

Mr. CASEY. I could not. I am not Coolidge.

Senator CLARK. You must know what the general policy was referred to in the interdepartmental correspondence of your own company.

Mr. CASEY. It was not really the correspondence of our company.

Senator CLARK. I say, the interdepartmental correspondence of your own company. This is an interdepartmental memorandum.

Mr. CASEY. It was establishing the function of the Ordnance Department on its munitions policy and program to conform with the principles of the National Defense Act of 1916, as amended, and such an extract was read this morning, in which are described the duties of The Assistant Secretary of War.

Now, we have that here, and it might be read into the record. Have you got that [addressing associate]?

Senator CLARK. Did the policy approve selling a poison-gas plant to the Italian Government or not?

Mr. CASEY. I do not think there is anything in the policy there except——

Senator CLARK. That is what these gentlemen were over to the White House about, is it not?

Mr. CASEY. Wait a minute—except the policy enunciating the principle of necessity of maintaining as much as possible the interest of private industry as a reserve for production in time of war.

Senator CLARK. These gentlemen were over there on a particular proposition about selling a gas plant to Italy. Do you not know what the decision was? I will read the next paragraph, which may clear it up in your mind [reading]:

> Nothing has ever been done in connection with the Italian proposition, but the above facts are given you as a guide for action in any similar problem that may arise in the future.

Now, was there any objection to selling a poison-gas plant to Italy?

Mr. CASEY. I was not present at the meeting.

Senator CLARK. You know the result of the negotiations.

Mr. CASEY. Nothing ever happened.

Senator CLARK. I understand; but what was the policy laid down at this meeting?

Mr. CASEY. I was not present. I do not know. This was in another department entirely.

Senator CLARK. You were familiar with such matters, were you not, Major?

Mr. CASEY. If I attempted to keep myself familiar with everything that went on in the company, I would not have time——

Senator CLARK. If you do not know, I will take your word for it, but I wanted to know if you knew the policy laid down with regard to selling poison-gas plants to foreign countries.

Mr. CASEY. I do not know. Senator, could we introduce into the record——

Senator CLARK. Mr. Irénée du Pont, were you at that meeting at the White House?

Mr. IRÉNÉE DU PONT. This letter says so.

Senator CLARK. Can you tell us what this policy so briefly enunciated by President Coolidge was?

Mr. IRÉNÉE DU PONT. I certainly cannot.

Senator CLARK. Do you know whether he gave you an O. K. on selling this poison-gas factory to Italy?

Mr. IRÉNÉE DU PONT. I am rather mystified, because the funny part is I have not the least recollection of the meeting.

Senator CLARK. Mr. Felix du Pont, were you at the meeting at the White House?

Mr. A. FELIX DU PONT. No. The only thing I recollect is having been at the meeting in the White House when the smokeless-powder matter was discussed.

Senator CLARK. Did you ever hear President Coolidge very briefly enunciate a munitions policy?

Mr. A. FELIX DU PONT. No.

Mr. CASEY. Senator, could we have this paragraph read into the record from the national defense act?

Senator CLARK. If it is material.

Mr. CASEY. It is. It is a very short one.

Mr. LAMMOT DU PONT. It is on page 22, section 5–A. [Reading:]

> Hereafter, in addition to such other duties as may be assigned him by the Secretary of War, The Assistant Secretary of War, under the direction of the Secretary of War, shall be charged with supervision of the procurement of all military supplies and other business of the War Department pertaining thereto and the assurance of adequate provision for the mobilization of material and industrial organizations essential to war-time needs. The Assistant Secretary of War shall receive a salary of $10,000 per annum. There shall be detailed to

the office of The Assistant Secretary of War from the branches engaged in procurement such number of officers and civilian employees as may be authorized by regulations approved by the Secretary of War. The offices of Second Assistant Secretary of War and Third Assistant Secretary of War are hereby abolished.

Senator Clark. That is very interesting, but it certainly does not say anything about The Assistant Secretary of War acting as a salesman of munitions.

I now read excerpts as per the first and last two paragraphs from a letter dated February 4, 1929, from Major Casey to the commanding officer, Edgewood Arsenal, Edgewood, Mr., headed, "Cooperation in Experimental Work."

(The excerpts referred to were marked "Exhibit No. 1020", and appear in full in the text.)

Senator Clark (reading):

> Attention of Major Alexander Wilson.
>
> Referring to discussion held in your office during the recent visit of Dr. C. M. Stine, Lt. Col. Aiken Simons, and C. I. B. Henning, the military sales division is expected by the various departments of the du Pont Co., and to a considerable extent by its associate companies, to serve as the contact organization in all matters pertaining to military use of this company's products. In order to make this contact more effective, we discussed various phases of your past experience. Without going too much into detail, there are several pending items on which we desire to advise and in turn to receive your suggestions.
>
> Major Prentiss of his own initiative discussed—

Who is Major Prentiss, Major?

Mr. Casey. I imagine he is connected with Edgewood Arsenal.

Senator Clark. In other words, he is an Army officer?

Mr. Casey. I think so.

Senator Clark (reading):

> Major Prentiss of his own initiative discussed a somewhat more formal interchange of information between the Chemical Warfare Service and the du Pont Co., stating that on his next trip to Washington there might be some advantage in ascertaining the views of General Fries on this subject. It is our desire to be a help in making our contact with you as efficient as possible. Owing to the complexity of our own organization, it is necessary that some one division be responsible for contacts of this nature.
>
> This letter is written with the intention not of emphasizing unduly the immediate problems presented, but to obtain from you suggestions as to how, from your viewpoint, we can function most efficiently.

In connection with that, I will read a letter from Major Prentiss to Col. Aiken Simons.

(The letter referred to was marked "Exhibit No. 1021", and appears in full in the text.)

Senator Clark. This is headed "Chemical Warfare Service, Edgewood Arsenal, Office of the Technical Director." [Reading:]

> Edgewood, Md., *April 24, 1929.*
>
> Col. Aiken Simons, du Pont Co.,
> *Wilmington, Del.*
>
> Dear Colonel Simons: Replying to your letter of April 22, in which you advise me that Dr. Stine has not yet returned to Wilmington and is not expected for several days, and upon his return will undoubtedly be extremely busy for some time, I may say that the matter which I wished to discuss with Dr. Stine was the general "modus operandi" of the exchange of information which we discussed upon the occasion of your last visit to this arsenal. As you will recall, the chief's office did not think it feasible for us to exchange technical reports but did feel that information might be freely exchanged by personal conference. It is for the purpose of laying down some regular procedure to effect this exchange of information that I particularly desire to see

Dr. Stine, and I doubt very much if anyone else will be in a position to act for Dr. Stine in this matter, as it is a rather unusual one.

Under the circumstances I would suggest that you advise me of the earliest convenient date at which Dr. Stine could see me to talk over this matter, and I will be glad to arrange my visit accordingly.

Sincerely yours,

A. M. Prentiss,
Major, C. W. S., Technical Director.

If you sell a war-gas factory to a foreign country it might very well be that with the system of interchange of information between yourselves and the Chemical Warfare Service some of the information in the Chemical Warfare Service will be passed along to the purchaser, will it not?

Mr. Casey. I think that would be a natural result, because I stated in that previous memorandum where the conference with President Coolidge came in, it was clearly stated there that we would not take any action unless requested by the Government.

Senator Clark. I am glad to see somebody's memory coming back about the matter of that conference at the White House.

Mr. Casey. I had not been to the White House on that matter, but I say in the memorandum they make that very selfsame statement.

Senator Clark. There is no question about the fact that if you are in the process of interchanging information with the Chemical Warfare Service, and you sell a war-gas factory to a foreign government, which you install for them and undertake to teach them to operate, it is almost inevitable some of this information which you acquired in this interchange with the Chemical Warfare Service will be passed on to the purchaser.

Mr. Casey. It is self-evident from that previous memorandum that we could not do it unless the United States Government wanted us to do it and gave us the information.

Senator Clark. I understand that, but that is the fact, is it not, Major?

Mr. Casey. It is the fact; yes.

Senator Clark. You recognize it in that memorandum to which you are referring?

The Chairman. What is the difference between exchanging technical reports and freely exchanging this information by personal conference?

Mr. Casey. I think the answer is this. I cannot speak for either Prentiss or Stine, but our work was in connection with the general chemical research work on inorganic chemicals. Is not that right, Doctor?

Dr. Sparre. Organic.

Mr. Casey. Organic and inorganic, both, for that matter. The other day I think it was brought out that there is a point up to which you might say both dyes, pharmaceuticals, photographic material, and so forth, and explosives or gases may be brought, that you would call the main trunk of the tree. When you reach that point, then they branch off on the one hand into the line of commercial material such as dyes and other materials of that type, or on the other hand they may branch off into high explosive material or related materials.

Because of our fundamental research, there was no doubt in the world that we could communicate to them considerable information that would permit them to go from the main branch of the tree into the line of research they were following. We were not following any research work along the line that interested Edgewood Arsenal or the Chemical Warfare Service.

USE OF UNITED STATES GOVERNMENT GUNS FOR COMMERCIAL DEMONSTRATIONS

Senator Clark. Now, Major, when you sell a powder to a foreign government, you have to give a demonstration of the powder, do you not, ordinarily?

Mr. Casey. In a great many cases, yes; others not.

Senator Clark. It is the ordinary custom?

Mr. Casey. If it is something new, yes.

Senator Clark. I now call your attention to a letter from Colonel Taylor to Major Casey, dated June 3, 1930, which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 1022", and appears in full in the text.)

Senator Clark (reading):

> F. N. H. Powder—Holland.
>
> Dear Sir: The Dutch Government advises that it is impossible for them to borrow a gun from any European Government using the French 75-mm field gun.
>
> Regarding obtaining a gun from the United States Government we had a conversation with Colonel Wesson about this matter.

Who is Colonel Wesson?

Mr. Casey. He is an ordnance officer. I think at that time he was stationed in London.

Senator Clark (reading):

> We had a conversation with Colonel Wesson about this matter, and he believes that this occasion had never arisen before, and thinks it would certainly be refused so as not to create a precedence. Colonel Wesson believes, however, that it would be possible for our company to borrow a gun from the United States Government for a certain length of time by taking full responsibility for wear and tear and for its return. Our company could then send it to Holland to be fired for tests and returned.
>
> It seems to me desirable to make every effort to obtain this gun in this way, as we know the powder acts all right in it, and as it will give a good impression of our powder. We have warned the Dutch Government that fitting their guns may be very difficult, but they want to see the powder presented under the best conditions.
>
> I believe it impossible to get a gun in Europe except by buying one from Schneider. The Fabrique Nationale of Liége, Belgium, do not make artillery.
>
> As we would particularly like for Mr. Bradway to be present at the F. N. H. trials in Holland, we advised you of the above by our cable No. 845, hoping that you can arrange to send the gun and 40 made-up rounds to Holland early enough for firings to be made in Holland before Mr. Bradway returns to America.

You actually got this gun, did you, Major?

Mr. Casey. I believe we did. The gun in question was by that time an obsolete type in the United States as to design.

Senator Clark. It was still in service in the War Department?

Mr. Casey. Oh, yes; it is still in service, but it is an obsolete design. In other words, as fast as they can get the money for the new designs, they will have that.

Senator Clark. I call your attention to another memorandum, to the traffic department, signed by W. H. O'Gorman, assistant director, dated September 8, 1930.

(The letter referred to was marked "Exhibit No. 1023", and appears in full in the text.)

Senator CLARK (reading):

> Shipment of gun and ammunition to Holland.

This is directed to Mr. O. E. Pyle.

> In connection with prospective sale of du Pont F. N. H. cannon powder to the Holland Government, we have borrowed a 75-mm gun, model 1917, from the United States Government, which we propose to ship to Holland together with 40 rounds of ammunition. The gun and ammunition are being shipped for firing tests in Holland and we desire to make immediate booking to cover.
>
> We do not think it is advisable to make shipment of the items mentioned in the name of the du Pont Co., and consequently would ask that you arrange to have the matter handled by one of your export brokers making shipment, if possible, in their name.

Why did you not desire to have it shipped in the name of the du Pont Co.?

Mr. CASEY. There was some reason at the time; I have forgotten what it was; whether it was because we did not want to have the name "du Pont" tied up with a gun or what, I do not know, because we did not make the guns.

Senator CLARK (reading):

> We are attaching copy of memorandum indicating the specifications of the gun and spare parts, which will be included, together with the value of each item. In the first instance we were of the opinion that the gun should be dismantled for shipment. However, Aberdeen Proving Ground recommended that it be shipped intact, and this recommendation was adopted. The gun has been securely crated, the weights and dimensions of the crate being as follows: Length, 13 feet 8 inches; width, 6 feet 8 inches; height, 5 feet 4 inches; gross weight, 3,900 pounds. This gross weight includes weight of gun and carriage, which is 2,887 pounds, and weight of tools, accessories, and crate, which is 1,013 pounds.
>
> We have not received actual weights and dimensions of the cases containing the 40 rounds of ammunition. However, we know that each round will contain 26.6 ounces of smokeless powder and will have a proof slug weighing approximately 15.96 pounds. From this you will note that there is only approximately 66½ pounds of smokeless powder involved. This ammunition will be equipped with primers. The packing cases in which the ammunition will be shipped will be approximately 9 inches by 9 inches by 26 inches, there being 4 rounds included in each box.
>
> We have executed a bond in favor of the Government, in the amount of $8,500, covering the return of the gun in question within a period of 1 year. In view of this, it is important that shipment be arranged immediately. Since the gun is now on hand at Aberdeen Proving Ground, Aberdeen, Md., it would be convenient to ship from Philadelphia, if possible. However, in the event this cannot be arranged and shipment can be made more promptly from New York, please arrange to make the booking accordingly. Your Mr. Grubb has quoted us a trucking rate of $40 to Philadelphia and $60 to New York. Leager's O. K. Transfer, Wilmington, Del., moved this gun from Raritan Arsenal, Metuchen, N. J., to Aberdeen, and the quotation mentioned was submitted by this same company.
>
> Please let us hear from you immediately regarding this matter.

This is another instance, is it not, Major, where it is not intended for the War Department files to show the actual transaction?

Mr. CASEY. You mean in the way the gun was borrowed?

Senator CLARK. Yes.

Let me read you another letter from yourself to the Chief of Ordnance, United States Army, dated June 25, 1930.

(The letter referred to was marked "Exhibit No. 1024" and is included in the appendix on p. 2832.)

Senator CLARK (reading):

> CHIEF OF ORDNANCE, UNITED STATES ARMY,
> *Munitions Building, Washington, D. C.*
>
> DEAR SIR: Under authority contained in section 123 of the National Defense Act, the du Pont Co. requests the lone of one 75-mm gun, model 1916–17, for the purpose of making tests to perfect FNH powder.

These tests were not for the purpose of perfecting any powder, were they, Major? They were for the purpose of demonstrating powder which you were going to sell.

Mr. CASEY. At the same time, at this particular time and even today, we are still trying to perfect FNH powder. We have not reached perfection yet.

Senator CLARK. The memorandum from your own assistant to Mr. Pyle, of the traffic department, says:

> In connection with prospective sale of du Pont FNH cannon powder to the Holland Government, we have borrowed a 75-mm gun, model 1917, from the United States Government.

Will you just read that section of the National Defense Act there, Major, that applies to this? You say section 123. I could not find it in the act myself, and I looked for it a few moments ago.

Mr. CASEY. Here is section 123. Will you read it, please?

Mr. LAMMOT DU PONT. It is on page 81:

> SEC. 123. Procurement of gauges, dies, jigs, and so forth, necessary for manufacture of arms, and so forth.—The Secretary of War be, and he is hereby, authorized to prepare or cause to be prepared, to purchase or otherwise procure, such gauges, dies, jigs, tools, fixtures, and other special aids and appliances, including specifications and detailed drawings, as may be necessary for the immediate manufacture, by the Government and by private manufacturers, of arms, ammunition, and special equipment necessary to arm and equip the land forces likely to be required by the United States in time of war: *Provided*, That in the expenditure of any sums appropriated to carry out the purposes of this section the existing laws prescribing competition in the procurement of supplies by purchase shall not govern, whenever in the opinion of the Secretary of War such action will be for the best interest of the public service.

Senator CLARK. I read that a little while ago, but that obviously is not the section at all that provides for taking a gun of the United States Army abroad to Holland for the purpose of selling powder——

Mr. CASEY. I do not think it is.

Senator CLARK (continuing). For a private munitions company. I am frank to say I have been unable to find any section that does authorize taking an American gun to Holland for the purpose of selling powder to a private munitions company.

Mr. CASEY. Apparently that section referred to is not the correct one. I think that is self evident.

Senator CLARK. I can understand that.

Mr. CASEY. If I may look through this at some time——

Senator CLARK. All right. I will not try to pin you down on that, Major. It has probably been revised since. But I would be very much interested to see what section of the law does authorize the Government to lend a piece of ordnance belonging to the War Department for demonstration in Holland in connection with the sale of powder to Holland.

Major, sometimes when it is not feasible to borrow a gun from the Government, it may be feasible to have the United States Ordnance Department cooperate at this end, may it not?

Senator CLARK. I call your attention to a letter dated April 23, 1931, from Major Casey to Colonel Taylor.

(The letter referred to was marked "Exhibit No. 1025", and is included in the appendix on p. 2832.)

Senator CLARK. It says:

> Regarding the discussion that Mr. Singer had with Mr. Gray, of the United States Sperry Ordnance Co., Mr. Gilmore, vice president of the company, together with Mr. Gray, had an interview with us this morning. Mr. A. Felix du Pont, Mr. Porter, Mr. Bradway, and the writer were present.
>
> It was practically agreed that there were certain advantages to be gained by cooperation between the companies.

What does the Sperry Co. manufacture, by the way, Major?

Mr. CASEY. The Sperry Ordnance Co. referred to there——

Senator CLARK. That is what I mean.

Mr. CASEY (continuing). Was a company organized to attempt to make the Driggs 3-inch A. A. gun that Driggs himself was offering in Poland.

Senator CLARK. That was the rapid-fire naval gun Driggs was talking about.

Mr. CASEY. This is an antiaircraft gun.

Senator CLARK. An antiaircraft gun.

Mr. CASEY. The Sperry people themselves, due to certain of their personnel as well as their own experience, were equipped to make certain elements in connection with that gun, such as the director. On the other hand, they could not make the gun, nor could they make the carriage. Therefore, in conjunction with the United States Cast Iron Pipe & Foundry—is not that the name? Well, you know the company.

Senator CLARK. I have heard the name mentioned here, Major.

Mr. CASEY. They organized for this particular purpose the United States Sperry Ordnance Co.

Senator CLARK. The cooperation was to be that they were to make guns and you were to sell the powder, that was the basis of cooperation?

Mr. CASEY. Yes; that is the idea.

Senator CLARK (reading):

> It was practically agreed that there were certain advantages to be gained by cooperation between the companies. They have discovered that it is difficult to sell fire-control equipment without the gun and it is likewise difficult to sell the gun without the ammunition. In our case we have likewise found it would be to our advantage to be tied up with a proposition involving complete equipment.
>
> The question of securing a gun from the Ordnance Department and shipping it to Poland was found to be neither feasible nor desirable.

You had not found that previously, had you, Major? You could borrow a gun whenever you wanted to?

Mr. CASEY. There was a definite reason here. In the first place, there are certain restrictions on the use of the recuperator. The recuperator was secured from the French by the United States Government, and the United States Government will not divulge any of the details of that recuperator. When I say "recuperator", I am referring to their type of recoil mechanism.

Senator CLARK (reading):

> It was, therefore, agreed that the Sperry Co. would immediately start work to induce a Polish mission to visit this country at the expense of the Sperry

Co. to witness a demonstration of the 3-inch A. A. equipment and other material, if deemed necessary. The Ordnance Department have already agreed to put on such a show.

The advantages of this method are manifold: in the first place, we can rest assured that the tests will be of such nature as to be at least favorable to the material being demonstrated.

I understand this is a show to be put on by the Ordnance Department, but you can arrange in advance to have it be favorable to the material being demonstrated.

The personnel handling the gun or guns will be thoroughly familiar with their job. The mission would likewise be given an opportunity to visit the different plants involved in the manufacture of this equipment, which would naturally include the du Pont plant, and the fact that the tests would be official tests of the United States Government could be played up tremendously.

The expense of a mission coming to this country would be considerably less than the expense involved in securing a gun and shipping the same to the other side, together with the proper personnel to handle it, as well as the other personnel involved in the negotiation.

With Pilsudski's return to Warsaw the conditions may be more favorable than they were heretofore.

Why was that, Major?

Mr. Casey. There existed in Poland the same situation that exists in other countries. That is, Pilsudski was a man who believed along a certain line, whereas some of his political opponents believed otherwise.

Senator Clark. In other words, he would be a little freer brandishing a sword, therefore more likely to buy munitions?

Mr. Casey. No, no; that was not it. Pilsudski was anxious to buy from America rather than make in Poland. In this particular instance the Driggs proposition was not satisfactory to the United States Sperry Ordnance Co. for several reasons, one being that 400 guns were supposed to be the total number involved in this prospective order, and of that number 100 guns were to be made in this country, the remaining 300 guns made in Poland. It was to be the Driggs gun. And as I stated, the Driggs gun did not nor would it be allowed to use the recuperator. They had to develop their own recoil mechanism. Driggs, of course, assured the Poles that his recoil mechanism was far superior to the French recuperator. That did not appeal to either the United States Sperry Ordnance Co. nor was the Ordnance Department interested in 300 guns or three-fourths of the order being produced in Poland. Further than that, Driggs had already decided on a price, and the Sperry Co., in going over his figures, could not understand how he was going to sell a gun that was going to cost, according to their figures, about $35,000, for $27,000. Driggs dismissed that by saying, "I do not expect to make any money on the guns made in this country. I expect to make my money on the guns made in Poland." So you see the thing was unattractive.

Senator Clark. Why did you welcome the return of Pilsudski to Warsaw?

Mr. Casey. Because he was more inclined to purchase on the outside, realizing as a military man that Poland did not have the source of supplies of raw materials to enable them to produce their own munitions.

Senator CLARK (reading):

> By next Monday the Sperry people expect to have a considerable amount of data collected, and on Tuesday the 28th we expect to receive word from the Sperry people as to what has been accomplished.
>
> Mr. Gray is sailing for Europe on Wednesday the 29th. We cannot as yet advise the steamer as his reservations have not been made, but promptly upon receipt of same we will cable you.

Then he goes on about going to Europe.

> The basis of the willingness of the Ordnance Department to render this assistance is predicated on the general theory that it is necessary for the national defense to do everything possible to help maintain private manufacture in the ammunition game. Therefore, any assistance they can render to bring this about they will do, but they are not interested in a proposition to establish the manufacture of Army ordnance material in foreign countries unless they merely represent a small proportion of the number to be manufactured in the United States. In other words, the facilities for manufacture are the plain objective of the Ordnance Department.
>
> The Sperry people feel that the experience we have had in European negotiations is quite a factor and our participation in any such arrangements would be limited to the extent of the material to be furnished by us.
>
> If there are any further developments along this line, we will advise you promptly.

Did that mission ever come over, Major?

Mr. CASEY. No; not that I know of.

Senator CLARK. Then the Ordnance Department never got a chance to put on its show?

Mr. CASEY. Not that I know of. I do not even know today whether the United States Sperry Ordnance Co. is in existence. They were organized to take over this Driggs matter, and, as far as I know, when that thing petered out, if they are in existence, I do not know it.

Mr. LAMMOT DU PONT. Senator, may I go back to this paragraph 123, which I read? Major Casey seemed to think that was the correct reference.

Senator CLARK. Yes.

Mr. LAMMOT DU PONT. I am not a very good reader, and I think if you read this carefully——

Senator CLARK. I read it before the hearing started. I thought it was obviously the wrong section.

Mr. LAMMOT DU PONT. May I read the language as it might be interpreted?

Senator CLARK. Yes; by all means.

Mr. LAMMOT DU PONT (reading):

> The Secretary of War be, and he is hereby, authorized to * * * cause to be prepared * * * appliances * * * necessary for the * * * manufacture * * * by private manufacturers, of * * * special equipment * * * likely to be required by the United States in time of war.

Senator CLARK. That does not appear in the law to begin with, Mr. du Pont. If you are able to read into the section providing for the purchase of a supply of jigs and dies, and equipment of that sort, an authorization to lend guns to be taken abroad into a foreign country and used in the demonstration of powder for sale to that foreign country, you have more ingenuity than I can conceive of.

Mr. LAMMOT DU PONT. I think the only interpretation necessary here is to interpret the authorization to prepare to mean the authorization to use. If he can prepare something, he certainly ought to be able to use it.

Senator CLARK. I am certainly willing interpretations go into the record, but I certainly do not feel you will find any reasonable man to agree with you.

Mr. LAMMOT DU PONT. I think that is the paragraph, nevertheless.

Mr. CASEY. We will continue to look, anyway, to see if we can find something else.

Senator CLARK. All right.

The CHAIRMAN. I suggest, Major Casey, you get in touch with Mr. Driggs and find out by what authorization he prevailed upon one of our American battleships to go over to Turkey to have one of his new guns demonstrated for the benefit of the Turks.

Mr. CASEY. I guess Mr. Driggs can tell his own story.

The CHAIRMAN. He may have discovered the way to do it.

Mr. CASEY. Yes.

NATIONAL POLICY REGARDING MUNITIONS SHIPMENTS TO FOREIGN COUNTRIES

Senator CLARK. Now, Major, I hand you an unsigned memorandum taken from the du Pont files, dated July 27, 1923, headed, "Nobel-Military Powder", which I will ask to have marked appropriately.

(The memorandum referred to was marked "Exhibit No. 1026", and appears in full in the text.)

Senator CLARK. Can you tell me who wrote that memorandum?

Mr. CASEY. It looks very much like one of mine.

Senator CLARK. It sounds very much like one of yours, too, Major.

Mr. CASEY. Yes.

Senator CLARK. It is unsigned, and I wanted to identify it, if possible.

Mr. CASEY. Yes.

Senator CLARK. "Exhibit No. 1026" reads:

Memorandum.

Reasons why we should sell military propellants and explosives in Europe:

1. This company was started to supply military explosives and has been doing so since the beginning of its existence. It takes a justifiable pride in always being ready to serve the United States Government in emergencies and has advertised the fact that the accumulation of profits has always been secondary to the desire to give patriotic service.

2. For patriotic reasons and secondarily for business reasons the art of manufacture should be kept alive and in a state of continuous progressive development. That this may be accomplished, sales outside the United States are necessary at this time, and experience in the last few years has shown that the only part of the world in which such sales can be carried on successfully is Europe.

3. The above ideas were suggested to us by officers of the Army and Navy, General Williams, Admiral Earle, and Admiral McVay being particularly anxious that we sell in foreign countries at least for the time during which appropriation will be insufficient to give private manufacturers any Army and Navy business. The same ideas were in some cases suggested, in others favorably received by Secretary Denby and Secretary Weeks and heartily endorsed by General Pershing. The organizations of military and naval intelligence are cooperating with us in our sales promotion. Both the Army and Navy are giving us assistance of inestimable value in research work for the purpose of improving military propellants and explosives.

4. If we retire from European markets, it may be necessary to give up military business altogether. This would require repudiating our statements of

patriotism and service which we have made to the public and to the military branches of the Government, and would be a shameful thing to do.

5. It might be said that because the Government will not make appropriation to order material to keep our business alive, there is no reason why we should go to any trouble to do it ourselves. I do not agree to this at all. Countries have been served and sometimes saved by the individual patriotic efforts of private citizens when those in charge of the Government were too shortsighted to do what those patriotic citizens saw had to be done. Congress is too shortsighted to see the necessity for appropriating funds to keep private manufacturers of military materials in business. The Army and Navy would spend money for this purpose if they could get it; and because they cannot. they are doing all they possibly can do, and that is to help us make sales to other nations. This is our country and not the country of Congress.

That is about the coldest statement that has yet been made, Major, as to the ownership of the country.

6. We have an investment for the manufacture of military propellants and explosives, and the results of 4 years of effort are beginning to bear fruit, by which means a good return can be made on the investment.

It is evident that the above reasons are sufficient for us to say that we are under obligations to continue our sales efforts in Europe and in considering the question of these efforts being distasteful to friends in the same line of business, we should consider only what we can do in the way of satisfying them by some other concession than that of abandoning our present course with military business.

In view of these exhibits that have been put in evidence here, I think it is a fair question to ask who determines our policies concerning sales of munitions to foreign governments—the War Department or the du Pont Co.?

Mr. Casey. It is self-evident that it is the War Department.

Senator Clark. It is not self-evident from the exhibits that have been put in evidence, in my opinion.

Mr. Casey. I don't think there is any other question. We stayed in the powder business at the direct request of the War Department. and at the time this letter was written here we had been making efforts to stay in the business, with no chance of getting any business from the United States, every year showing our results in the red, our own people saying, "Well, we might as well get out of the business", and my efforts to prevent that thing happening. I again used the strongest terms I knew how to try to induce our people that they should stay in the business.

Senator Clark. Major, it is a fact, is it not, that all of the business of the du Pont Co., and all of the assets, fundamentally, are based on the powder business?

Mr. Casey. Somebody else had better answer that.

Senator Clark. I think that was very conclusively shown in the last hearing here in September.

Mr. Lammot du Pont. I do not think that is a true statement today, Senator.

Senator Clark. I do not mean that it necessarily is the preponderant part of your business today, but considering the business of the company fundamentally, which I understand started out as a powder-making company.

Mr. Lammot du Pont. Yes.

Senator Clark. It has grown from that and, in a very large measure, from the profits that accumulated during the period of the World War, into its present tremendous position in other activities.

Mr. LAMMOT DU PONT. You are wrong in that statement in respect to the profits from the war. That was gone into quite thoroughly at an earlier hearing.

Senator CLARK. I recall it was; yes, sir; and that is the conclusion I drew from your testimony.

Mr. LAMMOT DU PONT. It is true the first hundred-odd years of the company's experience were entirely in the powder business. Since about 1905 the company has branched out into other industries.

The CHAIRMAN. Since when?

Mr. LAMMOT DU PONT. I think it was about 1905 when we first started branching out.

The CHAIRMAN. Did you do any such branching out at any time as you did after the war, immediately after the war?

Mr. LAMMOT DU PONT. The intent to branch out, I think, took place before the beginning of the war, and certainly before the entry of the United States into the war.

Senator CLARK. But, Mr. du Pont, a great deal of the branching out that was done was from funds accumulated from war profits?

Mr. LAMMOT DU PONT. No, sir; that is not a fair statement.

Senator CLARK. Why is it not a fair statement?

Mr. LAMMOT DU PONT. Because, as explained in the previous hearings, there were not enough profits from the World War to in any substantial degree pay for the branching out that has occurred.

Senator CLARK. I do not have before me right now the figures, but what were your figures of profit during the World War?

Mr. LAMMOT DU PONT. At the end of the war, the World War, it was shown that there was something like $60,000,000 of accumulated profits in the company's treasury.

Senator CLARK. And you invested some $60,000,000 in the control or in the practical control of General Motors, did you not?

Mr. LAMMOT DU PONT. Some $50,000,000.

Senator CLARK. Some 50 million?

Mr. LAMMOT DU PONT. But you must recall, Senator, that that was only part——

Senator CLARK. So it would seem that some of that branching out for the control, at least, of the General Motors Co., in general, was from war profits.

Mr. LAMMOT DU PONT. But the extent of the company has gone to $250,000,000 or $300,000,000.

Senator CLARK. But you have had the opportunity of branching out since.

Mr. LAMMOT DU PONT. So I say that the $60,000,000 is no very considerable part of two hundred and fifty or three hundred million.

The CHAIRMAN. How near could you have come to the 250 million if you had not first had the 60 million?

Mr. LAMMOT DU PONT. That is a question I cannot answer, because that $250,000,000 was raised in an entirely different manner.

Senator CLARK. Mr. du Pont, I was not present when you went into the first part of your testimony before, and therefore I did not ask you to put it in the record; but can you tell offhand or will you prepare a statement showing how much, if any, money was owing to the du Pont Co. from the allied and associated nations or their fiscal and purchasing agents in this country, such as Morgan, at the time the United States entered the war?

Mr. Lammot du Pont. That was owing to the du Pont Co.?

Senator Clark. Yes.

Mr. Lammot du Pont. I think there was none, sir.

Senator Clark. Will you investigate that and give us that information?

Mr. Lammot du Pont. I am not sure we can do that right now. If so, I will be glad to.

Mr. Irénée du Pont. I can answer that right off. The foreign governments have always paid in advance, cash, on every purchase. We owed them right through the war. At one time it got up to 107 millions; it was 102 millions at the end of the month, but in the middle of the month it was 107 millions.

Senator Clark. That was advance payments, where you had not delivered the ammunition?

Mr. Irénée du Pont. Yes; and this money made out of the war that you speak of, that was foreign trade.

Senator Clark. Yes.

Mr. Irénée du Pont. There was nobody here in this country that was taxed to get that. That was all profits brought to this country from foreign trade. I do not see why you should belittle that. I think that shows that our customers were extremely well satisfied. I think you will find that the French Government decorated Pierre, showing their appreciation, and I think we have some letters showing further——

The Chairman. They also decorated Sir Basil Zaharoff.

Mr. Irénée du Pont. I don't know about that. You are getting in good company now. But the facts are that I cannot see anything particularly wicked about having served those people over there who later became our allies. They were very glad to get the help, and we made money in doing it, and we served them well. I take exception to your idea that this is just a bloody proposition of selling somebody else's life for money. It is outrageous.

Senator Clark. Of course, Mr. du Pont, you approach the matter of war from an entirely different viewpoint from that held by a good many others.

Mr. Irénée du Pont. Yes; perhaps. You were not in the game, or you might have a different viewpoint too.

Senator Clark. I was in the game, though, when it came to putting on a uniform.

Mr. Irénée du Pont. That is quite true.

Senator Clark. In other words, you approach the subject of war from a viewpoint that regards the war as a situation out of which there may be made two or three hundred million dollars of profits and come out with a whole hide. On the other hand, I entered the war, with three boys, without any prospect of making any money out of it, but who might be considered in the position of becoming cannon fodder. Therefore, we look at it from a diametrically opposite viewpoint.

Mr. Irénée du Pont. Senator, you do not abhor war any more than I do. I do not care what kind of a speech you make to the people here; I don't believe you abhor it any more than I do. Now, we did provide ammunition to foreign governments. They asked for it. I think we did a swell job. We have now gone into a number of other things which have helped this country a great deal.

Senator Clark. Mr. du Pont, we intend no criticism of your peacetime activities unconnected with the manufacture of munitions. This inquiry has to do solely with the manufacture of munitions.

Mr. Irénée du Pont. Yes; and I am rather proud of the part we played in it.

Senator Clark. You have heard no criticism on the part of the du Pont company. That is entirely outside the scope of this investigation.

Mr. Irénée du Pont. That is satisfactory.

Senator Clark. But as far as coming back to the question of the financial relations with the Allies, I think it is of very great importance, because a great many people in this country, including myself, as I said the other day, believed that the insistence of the United States in shipping munitions to one series of combatants ultimately led us into the war—we could not ship to the others—ultimately led us into the war, and, therefore, to the extent of some 20 billion dollars, did impose a tax on the American people, and therefore it is material, to say the least, to go into that question.

Mr. Irénée du Pont. Mr. Senator, I can conceive of a roundabout route by which the sending of munitions from this country helped get that country into the war. It is this: If we had not sent those munitions over, the foreign countries would have been licked, and we would never have had a chance to get into the war. They would have come here.

Senator Clark. That is purely a matter of conjecture on your part. There is no evidence whatever to show we would have ever entered in the war or ever fired a gun except for that course of action.

Mr. Casey. Senator, what were the munitions, using it now in its dictionary sense, that were shipped to the Allies during the war?

Senator Clark. Most of them, or a great many of them, were guns and explosives. A great many guns.

Mr. Casey. How about wheat?

Senator Clark. I may say as far as I am concerned—whether it is of interest to this hearing or not—as far as I am concerned, I believe that the acceptance by the United States Government of a principle of international law which had theretofore for more than a century been opposed by the United States and declared not to be international law, in the confiscation of the *Dacia*, which was loaded with wheat, had a great deal to do with involving the United States in the war.

Mr. Irénée du Pont. We might go back one step further, Senator. Where would Washington's army have landed if they had not gotten munitions from abroad?

Senator Clark. They did not receive any munitions for a good deal of time.

Mr. Irénée du Pont. They received practically all of their munitions from abroad, made abroad and shipped over here. What would Washington have done without powder? There was none here.

Senator Clark. A good deal that he got he took away from the British.

Mr. Irénée du Pont. How did he get it away from them? He had to have munitions to get it from them, didn't he?

The CHAIRMAN. Coming back to the subject of wheat for a moment, was there any legislation fixing what you could charge for powder or the munitions that were manufactured during the war?

Mr. CASEY. There was a matter of common sense. The Allies knew enough about values to such an extent that they did not come over here prepared to pay anything that the American manufacturers might ask. They realized that production in this country, because of the fact we were absolutely unprepared to handle anything of this sort—I am referring to plenty of things besides just ordnance material now—they realized, as I just stated, that we were not prepared to turn things out on the same economical basis, you might say, that they felt they were in Europe. But at the same time I might give you one instance. There was one man came over here to negotiate a contract for the British. This was before the whole proposition of purchase was turned over to Morgan. He promptly negotiated. About a year after that Colonel Buckner in this man's presence happened to say that when we established the price of $1 a pound, which was the price in the early stages of the war, we felt that that was a fair price, and this man replied, "You may have thought you were doing good business, but I came over here prepared to pay $2 a pound."

Senator CLARK. That meant, Major, that you thought you were charging all that the traffic could bear, and found out that you were not?

Mr. CASEY. We thought we were charging him what we were justified in charging the Allies for an expansion in raw material and an amortization of the new facilities that we had to provide. The very first contract took our entire capacity. That was the French. In the meantime, Mitsui & Co. acting as purchasing agent for the Russian Government, had started their negotiations before the French, but they were so long in agreeing to terms, especially regarding advance payments, that while they were communicating back and forth with the Russian Government, France came in and promptly took it without any question.

Senator CLARK. Dr. Sparre, did you have a correction that you wanted to make?

Dr. SPARRE. Yes, Senator Clark.

At this morning's session you asked Mr. Casey a couple of questions that he could not answer because it was not in his department. One of your questions was about some correspondence with a Japanese firm about the ammonia oxidation process for the manufacture of nitric acid.

I explained last week, when you were not here, Senator Clark, that that process was published in three American and Canadian technical journals during the years 1927–31. Therefore, it was no secret.

In the second place, nitric acid is used to the extent of about 98 percent for commercial purposes, and, therefore, cannot be classified as ammunition. And, finally, we did not make the sale, anyhow.

Your second question was in regard to a hydrogen process which was sold to the Japanese, that being one step in the production of synthetic ammonia. There are several processes in the manufacture of synthetic ammonia. We have one, and this was one step. However, we figured out that—it is pretty hard to get the exact statistics, but in the different countries anywhere from 75 to 95 percent of the ammonia goes into fertilizer, and certainly some 99 percent of the ammonia goes into commercial products.

Furthermore, as regards Japan, they probably use over 90 percent of ammonia in fertilizer. But even if you consider it on a war basis, it is estimated that in times of war Japan will probably require about 100,000 tons of ammonia annually or nitrogen annually for munitions. Japan at that time had a capacity of 270,000 tons. In other words, they had almost three times the capacity already of what they needed in time of war for munitions. It must, therefore, be a commercial proposition. At this time they have a capacity even higher.

So I do not think, Senator Clark, that either one of those two propositions can be classified as munitions.

Mr. Pierre du Pont. Senator, might I say a word in regard to one or two things in regard to the purchases from the du Pont Co. On March 31, 1917, which was about a week before the United States entered the war, we had money of the foreign governments of $40,248,000. At the same time we had on our books unpaid invoices owing by the foreign governments of $5,886,000, or a net difference of $35,562,000.

Senator Clark. That was represented by advance payments?

Mr. Pierre du Pont. That was advance payments we held at that time, which was a week before we went into the war.

In regard to exports, I made a brief tabulation a few days ago as to the increased value of exports of wheat, flour, bacon or hams, cotton and copper, sent abroad during the war years 1915 to 1918, inclusive. That advance price over 1914 values was $1,500,000,000, just the advance price in those five commodities, and those are all war essentials, of course. The increase in exports was due undoubtedly to war conditions, because the exports fell off very shortly after the war.

That shows the magnitude of this most essential munition—food—in the event of war, and if there is any attempt to stop war by preventing shipments, the food situation is the one to tackle.

Senator Clark. I agree with you that that is one situation to tackle.

Mr. Pierre du Pont. It certainly is. It is the main one, because the quickest means of ending a war would be to stop food supplies.

Senator Clark. I do not think the history of the world will show an instance, Mr. du Pont, in which the probability of war between nations has been increased by nations building up reserves of food supplies. In other words, there has never been a competitive race in food supplies as there has been a competitive race in armaments.

Mr. Pierre du Pont. I am not so sure about that.

Mr. Casey. Senator, the very minute any nation begins to throw in storage food supplies it is a warning to the world they are expecting something.

Now, you have made certain tactical studies as an officer, and you know in the general art of soldiering that of the four branches of military science that one is the all-important consideration.

Senator Clark. That is all true, but did you ever hear of an instance where one nation regarded it as an unfriendly act for another nation to be accumulating food?

Mr. Casey. They may not call it an unfriendly act, but it is a definite warning to them.

Senator Clark. But you do know of many instances where the building of battleships or the laying in of a great store of munitions has been considered an unfriendly act, don't you?

Mr. Casey. No; I would put it this way: That a nation can refer to an increase in the accumulation of munitions and make an awful lot of fuss about it, but the nation importing foodstuffs can always give a good alibi.

Mr. Raushenbush. I would like to get this proposition a little more definitely as to what Mr. Pierre du Pont said and we want you to state it as a company proposition, if you will. Is it your proposition that this committee might as well investigate the food industry as the munitions industry?

Mr. Pierre du Pont. Not at all. I am not trying to dictate to the committee at all as to what to do.

Mr. Raushenbush. Are you putting them on a par?

Mr. Pierre du Pont. I just mean to call attention to the importance of food supplies in connection with war activities.

Mr. Raushenbush. And to minimize in the course of the comparison the importance of munitions?

Mr. Pierre du Pont. Munitions are very important, but I claim that food supplies are just as much a munition as powder, and a much more important one. But don't you think that is for the committee to decide? I don't pretend to be dictating to the committee.

Mr. Raushenbush. Are you asking the committee to go into the situation, that situation, as a means of control?

Mr. Pierre du Pont. Not at all.

Mr. Raushenbush. Not at all?

Mr. Pierre du Pont. I have no right to. It is not my province to do it.

Mr. Raushenbush. I am trying to get straight just on this food matter that was brought in here. If it is your company's opinion that food is equally important with munitions, that certainly is a matter to take under advisement, as coming from you. But if the proposition is not made or is withdrawn, I am glad to hear that.

Mr. Pierre du Pont. I am very glad that you did not ask that question. I am not trying to dictate to them.

Senator, might I say just one word on the question of the entry of the du Pont Co. into the war, as a matter that has always interested me very much, as I was very largely responsible for the acceptance of that first French order which really started the du Pont Co. in furnishing powder to the Allies.

I remember discussing with Colonel Buckner very carefully as to whether the du Pont Co. should or should not accept the responsibility of that order. It meant the use of our entire military powder factory, necessitating the immediate building of another one to duplicate it in order to take care of our obligations to the United States.

There was a great question of responsibility there, as to whether we should go on or not, and it was followed immediately by an equal responsibility, almost, in accepting British orders. During the winter of 1914 and 1915, and the spring of 1915, there was very active consideration of this question of the shipment of powder by

Congress. It was a very serious question in our affairs, because of our commitments to the Allies, the question of whether we would be permitted to ship or not. Congress—I don't know how they decided the question—decided not to stop the shipments of munitions or the shipment of powder and a great many other things.

Senator CLARK. That is very true.

Mr. CASEY. There was an embargo, Mr. du Pont, in the beginning.

Mr. PIERRE DU PONT. It lasted a very short time.

Mr. CASEY. Yes; about a month and a half. But I know we were not even permitted to ship an order to the Dominion Cartridge Co. in Canada because of that embargo, which was a proposition for a little .22 short. The embargo was so stringent that we were not even permitted to ship .22 powder.

Mr. PIERRE DU PONT. I cannot see, Senator, a time from the day we accepted that French order to the end of the war when the du Pont Co. could have deliberately said we would ship no more munitions. We would not have been upheld by public opinion, certainly not abroad, nor in the United States?

Senator CLARK. Mr. du Pont, so far as the matter of shipping munitions during the war is concerned, I want you to understand me about that. I am not intimating, and certainly not asserting, that there was anything illegal about it or anything improper about it. I am going to the question of national policy. As I see it, the shipment of munitions of various kinds during the war to one set of combatants had a very material, and you might say, lasting effect on the well being and the history of the United States. We are not undertaking now to fix the responsibility or blame for what happened during the World War. We are trying to arrive at a picture of this situation with regard to the future of wars and the future conduct of the United States.

Mr. PIERRE DU PONT. That is certainly the right way to look at it.

Senator CLARK. I am not intimating at all that there was anything improper in any munitions manufacturer in the United States under the policy permitted by the Government in the then state of the law making shipments of munitions abroad, but I do think it had very grave consequences to the United States.

Mr. PIERRE DU PONT. I am very glad to hear you say what you have, because I gathered from you that you did think that we did some improper act, not illegal act, in having furnished munitions, that it would have been better if we had not done it.

Senator CLARK. No; I said that in connection with the question of the du Pont Co. going out of the powder business. It was intimated here a while ago that the du Pont Co. was conferring a very great favor on the United States by remaining in the powder business. Now, it is a fact that as a result of the war business, in the period of 4 years, as reflected in the stock-market quotations, say, of the du Pont Co., that stock went up from $20 a share, on the basis of the issue as it then was, to about a thousand dollars a share; isn't that correct?

Mr. PIERRE DU PONT. That is correct; yes.

Senator CLARK. So I say as to the du Pont Co.—I am not casting any reflections on the motives of the du Pont Co. and their record and the relationship of their dealings with the United States Government—but I do say to a very large extent the prosperity of the du Pont Co. has been built on the powder business.

Mr. PIERRE DU PONT. I hardly think you are right there. The expansion of the du Pont Co. before the war was brought about through the manufacture of powder, but not military powder.

Senator CLARK. You had manufactured all kinds of powder.

Mr. PIERRE DU PONT. Yes; but military powder has been a very small part.

Senator CLARK. And the great expanse in the assets and business of the du Pont Co. did take place during the war and as a result of the war.

Mr. PIERRE DU PONT. The great expansion that took place in the du Pont Co. was through the institution of the making of dynamite in this country. That is where the great growth started, in 1880.

Senator CLARK. There was a tremendous growth following 1914 in the assets and business of the company.

Mr. PIERRE DU PONT. There certainly was.

Mr. CASEY. Senator Clark, just suppose the United States had continued this embargo I referred to. I think the end of the war would have been very soon, because it would have really meant that the United States in refusing to sell to the Allies automatically became an ally of Germany.

Senator CLARK. Why is that, any more than it applies to selling to the Allies?

Mr. CASEY. The Germans were supplied and the Allies were not, although they thought they were.

Senator CLARK. We simply would not have become an ally of the Allies, by not assuming a position of contributing to their preparedness.

Mr. CASEY. I am saying if the embargo which was first put into effect by Secretary of State Bryan——

Senator CLARK. We certainly would not have been an ally of Germany.

Mr. CASEY. We would have been helping them.

Senator CLARK. By simply attending to our own business?

Mr. CASEY. And that would have been helping Germany. At the time of the Japan-China fracas around Shanghai, I think England—I saw this in the press, which is my only source of information—when they put that embargo on against both—in other words, the Chinese criticized them because they said by putting an embargo against both they were in reality helping Japan.

Senator CLARK. That may have been the Chinese opinion.

Mr. CASEY. And I think it was justified. Japan had plenty of arms for a proposition of that sort.

Senator CLARK. We were under no obligation, either by treaty, moral implication, or anything else, to assist the Allies or anybody else by shipping munitions to them, if we desired to avoid entanglements by not doing it.

Mr. CASEY. We were under obligations the minute we announced our principle of neutrality.

Mr. PIERRE DU PONT. That was the claim we made during the Civil War, that it was an inimical act on the part of England to refuse exportation of material to this country.

Senator Clark. It was certainly not an inimical act, if we refused to ship to anybody.

Mr. Pierre du Pont. We claimed it was then.

Senator Clark. I am not familiar with that. We may have made such a claim.

The Chairman. Mr. du Pont, how large a force is employed in the production of powder in your plant at this time?

Mr. Lammot du Pont. You mean all kinds of powder?

The Chairman. No.

Mr. Casey. Smokeless powder—military powder.

Mr. Lammot du Pont. About 300 men, I think.

The Chairman. What part of those 300 men are ordinary laborers, and what part are experts who are contributing to the progress and development of gunpowder?

Mr. Lammot du Pont. Of course, there are all degrees of experts. I think Mr. Bradway can answer that more accurately.

The Chairman. Mr. Bradway.

TESTIMONY OF F. W. BRADWAY

(The witness had been previously sworn by the chairman.)

The Chairman. Did you hear the question, Mr. Bradway?

Mr. Bradway. I think I understood what you said.

The Chairman. The question was, What part of the estimated 300 employees in the production of powder is composed of experts who will contribute to the improvement and development of powder?

Mr. Lammot du Pont. Senator, may I just ask Mr. Bradway if he will check that 300 figure?

The Chairman. Yes, sir.

Mr. Bradway. The 300 is approximately correct at the present time. I do not know that it is just exactly 300, but right around it. I think that those people who are doing research work are probably about 25.

The Chairman. Twenty-five in the research department?

Mr. Bradway. Yes, sir. Then we have our plant experts, the superintendents and their managerial assistants, who are expert powder makers. There are probably 10 or 15 of those.

The Chairman. All in all, how many whom you consider experts who would be indispensable in carrying on the manufacture of gunpowder in a progressive way?

Mr. Bradway. I should consider all our managerial force and our research men indispensable.

The Chairman. Let us see if we can get at it another way. What part of the 300 are now ordinary-type laborers who can be substituted for in a week or in a month?

Senator Barbour. Easily replaced.

Mr. Bradway. I know what you mean. I was trying to figure how many there would be of that type. Perhaps one-half of them.

The Chairman. About one-half of them?

Mr. Bradway. We have skilled labor there which is equally as hard to replace as the managerial labor or research labor, you might say. At the time of expansion those skilled laborers really become foremen or, in a sense, supervisors of lines for training other men.

The Chairman. Late in October the committee requested of the Secretary of the Treasury a statement showing appropriations and expenditures from appropriations for the War and Navy Departments, and a statement showing allotments by Public Works Administration of funds for the War and Navy Departments, and expenditures from these allotments during the fiscal year of 1934.

In response to that inquiry the committee is today in receipt of three exhibits, which the chair asks to have incorporated in the record, along with the accompanying letter. Incidentally, exhibit no. 2 reveals that there has been an allotment of Public Works funds for the War and Navy Departments of approximately $722,000,000.

Let the exhibits be properly marked and entered in the record.

(The letter accompanying the Treasury Department exhibits was marked "Exhibit No. 1027" and is included in the appendix on p. 2833.)[1]

(The Treasury Department exhibit showing allotments by the Public Works Administration for the War and Navy Departments during 1934 was marked "Exhibit No. 1028" and is included in the appendix on p. 2834.)[1]

(The Treasury Department exhibit showing appropriations and expenditures for the War and Navy Departments from 1912 to 1914 was marked "Exhibit No. 1029" and is included in the appendix on p. 2835.)[1]

The CHAIRMAN. Senator Pope, I think you are wanting in your examination to hear Major Casey, Mr. Irénée du Pont, Mr. Lammot du Pont, and Mr. Beebe.

Mr. LAMMOT DU PONT. May I ask a question about the exhibits to which you referred, Senator?

The CHAIRMAN. Yes, sir.

Mr. LAMMOT DU PONT. In the War Department, does it include the rivers and harbors work?

The CHAIRMAN. Yes, sir; something over $200,000,000 of that total was for river and harbor work.

ATTITUDE OF DU PONT CO. TOWARD EMBARGOES AND LEGISLATION REGARDING EMBARGOES

Senator POPE. Mr. Casey, the testimony which has been given in the hearing has been directed, or some of it, to the proposition as to whether the history of the world since the World War shows that the imposition of embargoes has generally helped or hindered the movement toward peace?

In the former hearing there was something about the question of proposals and methods showing the views of the du Pont Co.[2]

For instance, I will read a portion of the testimony giving your statements in order that we may get the activities and attitude of your company with reference to embargo proposals [reading]:

> Senator POPE. I will ask you, Mr. Casey, whether or not it is the duty or business of Mr. Simons to contact officials in the War Department with reference to legislative matters?

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[1] "Exhibits Nos. 1027, 1028, and 1029" were entered into further in the testimony of December 13, 1934, Hearings, Part XIII.

[2] Hearings, Part V, pp. 1125 and 1126.

Mr. Simons is employed by the du Pont Co. in your department?

Mr. Casey. He was. He is practically retired. He is on leave of absence right now for a year on account of ill health.

Senator Pope. The question was:

> * * * whether or not it is the duty or business of Mr. Simons to contact officials in the War Department with reference to legislative matters?
>
> Mr. Casey. Absolutely not. We take no part whatever in legislative matters.
>
> Senator Pope. You are sure of that?
>
> Mr. Casey. I am talking for my department.
>
> Senator Pope. What about the other departments?
>
> Mr. Casey. I cannot speak for them.
>
> Senator Pope. Were you about to say something, Mr. Felix du Pont?
>
> Mr. A. Felix du Pont. No, sir.
>
> Senator Pope. I refer you to a memorandum signed by Mr. Aiken Simmons under date of January 17, 1933, Wilmington, Del., and dated Washington, D. C., January 16, 1933, it having these two dates on it, and I will read the first paragraph of that memorandum as follows:

and then I read part of this memorandum.

I might say, this is from page 1125 of the record.[1]

Mr. Casey. What is the date?

Senator Pope. It was early in the hearing, Major Casey. I do not have the date here.

Mr. Casey. I do not mean the date of the hearing, but the date of the memorandum.

Senator Pope. January 16 or 17.

Mr. Casey. January 17, 1933. All right.

Senator Pope (reading):

> The principal object of this visit was to discuss with the War Department officials a bill now pending in the United States Senate authorizing the President to declare at his discretion an embargo on the shipment of munitions to foreign countries. The details of this visit are covered in a separate memorandum.

Then I asked you [reading]:

> Did you ever see this memorandum?
>
> Mr. Casey. This one, yes.
>
> Senator Pope. Were you familiar with its contents?
>
> Mr. Casey. Yes.
>
> Senator Pope. What would you say as to that first paragraph I have read discussing the visit of Mr. Simons to the War Department to discuss this matter of an embargo?
>
> Mr. Casey. It was perfectly natural we should discuss with the War Department to find out what their attitude was as affecting the national defense.
>
> Senator Pope. Then I misunderstood you a minute ago when you said Mr. Simons and no one else of your department discussed with the War Department officials legislation of this kind?
>
> Mr. Casey. Anything attempting to influence legislation is what I meant.
>
> Senator Pope. You did not understand this embargo was passed.
>
> Mr. Casey. We asked them what was their position. When the War Department or the Navy Department say they have no objection, then we have none. But if they feel it would hurt national defense, then our position might be entirely different.

Now, in answer to that first question, you said [reading]:

> We take no part whatever in legislative matters.

And in this answer you say [reading]:

> But if they feel it would hurt national defense, then our position might be entirely different.

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[1] Hearings, Part V, pp. 1125 and 1126.

Mr. Casey. Yes, sir.

Senator Pope. The question which I want to ask there is this: I would infer from your last answer that if the officials of the War and Navy Departments do have objections on the ground of national defense, you would then be active, or feel at liberty to be active, against such legislation?

Mr. Casey. No; that is not the intent of the answer. I simply meant our viewpoint. Our viewpoint heretofore has been this: that we were in the business as long as the Army and Navy wanted us to be in the business.

Senator Pope. Yes, sir.

Mr. Casey. That is because they say they want us in the interest of national defense. If they say that they are opposed to the embargo because it may affect the national defense, then we feel that they are going to attempt to keep us in the business as long as they consider us a part of the national defense.

Senator Pope. Yes, sir.

Mr. Casey. Now, if they said, "No; we are not going to fight this embargo", then we would begin to look into our own house and say, "if this embargo goes through, with some of the provisions, it puts us out of business, and we might as well know it now so that we can begin to cut our cloth accordingly.

Senator Pope. In any event, whether the Army or Navy officials oppose the embargo on the ground of national defense or for another reason, you take no action in legislative matters?

Mr. Casey. Absolutely not. One of the first things which I decided on when I first had charge of military sales was, at no time was I going to have a part in it, so that anybody could at any time say we were trying to use politics, political influence, in any way, in legislative matters.

Senator Pope. In other words, keep perfectly clear of any effort whatever to influence legislative action?

Mr. Casey. That is the idea.

Senator Pope. All right. We will go on.

Mr. Lammot du Pont. Senator, may I interject there a moment?

Senator Pope. Yes, sir.

Mr. Lammot du Pont. I am not questioning the propriety of Major Casey's statement to you, but I think if you put a certain interpretation on the phrase "taking part in legislative matters", that the answer becomes incorrect.

Senator Pope. In what way, Mr. du Pont?

Mr. Lammot du Pont. We have given your committee our views on munition matters. Your purpose is to prepare legislation. We have, therefore, taken a part in legislative matters by the letter which we addressed to Senator Nye and——

Senator Pope. Yes; but what I mean is, you now say, or Major Casey says, that it is the policy of your company——

Mr. Casey. On military sales.

Senator Pope (continuing). To use no influence, exert no efforts, engage in no activities, with the desire to influence legislation to impose an embargo or any other legislation affecting the shipment of munitions.

Mr. Lammot du Pont. My position is that the answer may be right or wrong depending on what interpretation you put on that phrase "taking no part in legislative matters." We certainly have been active at times in expressing our views to Members of Congress on legislative matters, or matters which may become the subject of legislation. Our letter to Senator Nye is one. The conference with the representatives of the du Pont Co. regarding the Geneva conference was another.

Senator POPE. Yes, sir.

Mr. LAMMOT DU PONT. We certainly expressed our views at that hearing, which may be said to be a legislative matter.

Senator POPE. And in conference with your Senators and Representatives in Congress when a measure that arises affects your interest?

Mr. LAMMOT DU PONT. Yes; we express our views freely and as forcefully as we can.

Senator POPE. That would be certainly a modification of Mr. Casey's answer.

Mr. CASEY. I was speaking for my own department only. We have produced evidence of that before.

Senator POPE. We will go on.

Following the evidence given, in order to establish our basis here, I read:

> Senator POPE. In that connection I call your attention to the memorandum which Mr. Simons referred to in that letter. It is dated Wilmington, Del., January 17, 1933, and marked "Confidential memorandum to Maj. K. K. V. Casey, director, proposed embargo on shipment of munitions", and it states:
>
> "Colonel Taylor in his P-2544 of December 28, which was his annual report for the year, made some very interesting comments on the effect of disarmament in Europe. This was extracted in a memorandum dated January 13, addressed to you, and sufficient copies prepared so that they could be handed to interested officials in Washington."

This memorandum referred to there, Mr. Casey, had to do, did it not, with the discussion of the effect of embargoes in general in Europe and the probable effect of future embargoes?

Mr. CASEY. I do not think it did; and at the time I said I was not prepared to answer unless I had the memorandum of January 13 referred to. That memorandum was read into the record last week, either Friday or Thursday, and on which, if you will refer back to those dates, you will find where the extract from that letter was read into the record. I have a copy of it right here.

Senator POPE. Yes; but the memorandum did deal with the matter of embargoes in Europe and the probable effect of future embargoes.

Mr. CASEY. I do not think it had that effect at all.

Senator POPE. The one which I examined did.

Mr. CASEY. Here is a copy of the letter of January 17. Attached to this is a copy of the memorandum of January 13 referred to.

Senator POPE. What does that memorandum relate to there?

Mr. CASEY. I will ask somebody else to read it, if you do not mind.

Mr. LAMMOT DU PONT. This refers to the Geneva Conference. Shall I read the letter?

Mr. CASEY. I think you better.

Senator POPE. That must be the wrong memorandum then, because the one I have reference to is the one referred to in the former testimony having to do with embargoes.

Mr. CASEY. This is the only memorandum referred to.

Now, the fact of the matter is, Senator, that I have attached here Colonel Taylor's complete report, which I would like to show you. There is the complete annual report, and you will find right here—this is a general discussion of Europe—but you come to this point and there are two little red marks ending here [indicating].

It was that part of Taylor's report which is in this memorandum of January 13.

Senator POPE. Let us go on and perhaps we can clear this up a little later as to which memorandum it was.

Then I asked you before, in the former testimony [reading]:

> Did you know about the preparation of that memorandum by Mr. Aiken Simons and its being handed to the officials of the War Department?
>
> Mr. CASEY. I believe that was an extract from Colonel Taylor's letter. He was giving his report on the European reactions.
>
> Senator POPE. What was the nature of those European reactions?
>
> Mr. CASEY. Regarding the effect of an embargo.
>
> Senator POPE. Meaning an embargo already in force?
>
> Mr. CASEY. No; the effect of a possible embargo. We take no action regarding whether legislation is passed or not, but we simply want to know what the effect would be.

Mr. CASEY. Yes, sir.

Senator POPE. Your answers there indicated the nature of the memorandum.

Mr. CASEY. At the time I made those answers, of course, I did not have that memorandum of the 13th in front of me. It was not available at the time. It had not been taken from our records.

Senator POPE. We will attempt to clear that up before we get through with the examination, and I think we can.

Now, I call your attention to an exhibit under date of April 7, 1932, signed by Colonel Simons, dated at Wilmington, Del., and I will just read this paragraph, which is the fourth paragraph of the exhibit.

I offer that for appropriate number.

(The document referred to was marked " Exhibit No. 1030 ", and is included in the appendix on p. 2837.)

Senator POPE (reading):

> Called on Admiral Larimer, Chief of the Bureau of Ordnance, United States Navy, and discussed the same matter with him. Admiral Larimer called up Capt. H. K. Cage, Chief of the Material Division, office of the Chief of Naval Operations, and called his attention to the resolution and its status, of which neither of these officers had been aware until their attention was called thereto. Captain Cage will take appropriate action to have the bill opposed on the floor of the House.

He makes reference to Resolution No. 282, introduced in the Congress by Representative Fish, of New York, proposing a resolution whereby the United States would join all other nations in renouncing the sale or export of arms, munitions, or implements of war.

Has that matter of this memorandum come to your attention?

Mr. CASEY. Yes, sir; at the time.

Senator POPE. And with the report of Colonel Simons' activities in that respect?

Mr. CASEY. Yes, sir. He was taking the regular procedure. This Fish resolution would have prevented the very thing both the Army and Navy were trying to protect us in doing, and that was affecting foreign sales.

Senator POPE. Yes.

Mr. CASEY. Then, if that thing went into effect, the Army and Navy would both have had to put in the policy, and it would have an effect on our decision as to whether or not we could stay in the business.

Senator POPE. But the fact is that Mr. Simons called on these officials referred to here and called their attention to this Fish embargo resolution, and reported that they would take action to oppose it on the floor of the House.

Mr. CASEY. He reported what they were going to do. We had nothing to do with what they were going to do.

Senator POPE. Very well. We will proceed, and I will call your attention to a memorandum dated January 17, 1933, dated at Wilmington, Del., the subject matter of the memorandum, which is addressed to you, Major Casey, being "Proposed Embargo on the Shipment of Munitions", which I will offer for appropriate number.

(The memorandum referred to was marked "Exhibit No. 1031" and is included in the appendix on p. 2838.)

Senator POPE. That reads as follows:

> Colonel Taylor in his T-2544 of December 28, which——

Mr. CASEY. That is the letter right there.

Senator POPE (continuing reading):

> which was his annual report for the year, made some very interesting comments on the effect of disarmament in Europe. This was extracted in a memorandum dated January 13, addressed to you, and sufficient copies of the memorandum prepared so that they could be handed to interested officials in Washington.
>
> On the morning of Monday, January 16, I called on Maj. R. D. Brown of G-2—

Military intelligence—

> handed him a copy of the memorandum and asked his opinion on the situation. Major Brown was frankly concerned, and, since the authority requested by the President to declare an embargo on munitions had been presented to the Senate in the form of a bill and this bill has already been reported out of committee, Major Brown's concern is justified.
>
> I then called on General Moseley, Deputy Chief of Staff, and after waiting some time while General Moseley was in conversation with General MacArthur, the Chief of Staff, and Mr. Frederick H. Payne, the Assistant Secretary of War, General Moseley received me and after glancing over the memorandum, instructed me to get a copy in the hands of Mr. Payne at once, since Mr. Payne had just been discussing the matter.
>
> I then called on Colonel McFarland, who advised me that it would not be possible for Mr. Payne to see me at the moment but that the memorandum would be placed in his hands at the first opportunity, and that Mr. Payne was much interested in it.
>
> I then called on Captain Ogan, executive officer of Naval Intelligence, and handed him a copy requesting that it be brought to the attention of the Secretary of the Navy. Captain Ogan informed me that he had no method of getting it to the Secretary of the Navy and advised that I see the Chief of the Bureau of Ordnance.
>
> Hence I called on Admiral E. B. Larimer and handed him a copy of the memorandum. He promised to take the matter up with Admiral W. V. Pratt, Chief of Naval Operations, with the request that Admiral Pratt bring the matter to the attention of the Secretary of Navy and indicate the vital need of maintaining the private manufacture of arms and munitions in this country.

Do you recall receiving that memorandum?

Mr. CASEY. Yes, sir.

Senator POPE. Showing the activities of Colonel Simons, calling on all these people and discussing this matter with them?

Mr. CASEY. I think at this time, Senator, if Mr. du Pont will be kind enough, the memorandum referred to should be read, and I would suggest that you follow the text in that annual report of Colonel Taylor's.

Mr. RAUSHENBUSH. That is the one read in the other day.

Mr. CASEY. That is the one read in the other day, but I think it should be read again, whether it is put in the record or not at this time.

Senator POPE. If it is relevant.

Mr. CASEY. It is extremely relevant.

Senator POPE. What does it deal with?

Mr. CASEY. You take Colonel Taylor's letter and you will find where those red marks are. It starts in with Colonel Simons' own statement and then quotes the extract from Colonel Taylor's report to which I referred, which is pretty well back.

Mr. LAMMOT DU PONT. The quotation starts out:

> In view of the very great effect——

Senator POPE. You are interested in having read the part relating to the disarmament conference?

Mr. CASEY. Yes; that is the part which is checked, and I want to be sure we give you all Simons' letter; and when he starts the quotation there, if you will check it, you will find what it refers to.

Senator POPE (reading):

> In view of the very great effect in Europe of the convention covering the limitation of the traffic of arms, signed at Geneva in 1925 but not ratified, in accelerating the construction of governmental factories in Europe, the office has been very much concerned as to what might be the result of the present discussion at Geneva.
>
> There is no need to describe the visible result of this conference, as this has been well covered by the press; but we have been trying to find out what the real effect would be.
>
> It is the opinion of the military manufacturers that no limitation will be put on governmental manufacture; for example, in France there are 300,000 people employed in the Government arsenals, and nearly all these men vote for the socialist deputies; therefore, while the socialist deputies with their liberal doctrines cry for disarmament, any attempts on the part of the French War Department to close down the Government factories are bitterly opposed by these same deputies on the basis that it would throw voters out of work. In many other countries the same situation exists, and whenever there has been a tendency on the part of the military administration to reduce governmental manufacture it has been always opposed by the Labor deputies on the basis that it would put men out of work.
>
> It is therefore generally believed that there will be no limitation to governmental manufacture. The only thing which will be acceptable to the politicians is limitation on private manufacture; and it is further supposed that in case of further limitation on private manufacture that the present private factories, such as Hotchkiss in France and Bofors in Sweden, will be immediately transformed into Government arsenals and continued as before. It is also supposed that no limitation will be put on the delivery of arms from one government to a friendly government; hence there will be some export business from the government factories.
>
> The net result of this conference so far has been the tendency on the part of the governments to develop governmental manufacturers and to spend their money at home.
>
> There is also a tendency, which does not affect the armament business, for the military advisers to devise suggestions destined to obtain military advantages for their respective countries. One of the motives back of the French proposal, that all countries should establish a conscription is to upset the present German system of handling their Reichswehr. The Reichswehr is limited to 100,000 men of 12 years enlistment, and it would appear reasonable to

suppose that there should be at present a number of soldiers around the age of 33 or 34; the fact is that when one meets a soldier of the Reichswehr he is a young man in the early twenties, and it is pretty well accepted that there are several men available under the same name and hence training much larger number of men than permitted. The French feel that this is a more dangerous system than general conscription. Both the French and German proposals for disarmament are simply jockeying to get a favorable situation.

That is the part having to do with disarmament.

Mr. Casey. That is the memorandum that Simons took around, and you can readily see that that particular reference to the desire on the part of the French Government of munitions manufacture as a government function was because of their situation, and what they would do with their private plants, which would naturally operate to the disadvantage of the United States Government.

Senator Pope. All right. What do you think he means by this, when he says in the letter of April 7, 1932, from Mr. Aiken Simons to you:

> Called on Admiral Larimer, Chief of the Bureau of Ordnance, United States Navy, and discussed the same matter with him. Admiral Larimer called up Capt. H. K. Cage, Chief of the Matériel Division, Office of the Chief of Naval Operations, and called his attention to the resolution and its status. * * *

Mr. Casey. Yes, sir.

Senator Pope (continuing reading):

> of which neither of these officers had been aware until their attention was called thereto. Captain Cage will take appropriate action to have the bill opposed on the floor of the House.

And it refers specifically to the Fish resolution.

Mr. Casey. Yes.

Senator Pope. Whatever may have been, then, the contents of this memorandum referred to, this certainly was discussed, according to Mr. Simons?

Mr. Casey. Yes; it was.

Senator Pope. And their attention called to it, referring to the Fish resolution?

Mr. Casey. Yes.

Senator Pope. There is no doubt about that?

Mr. Casey. No.

Senator Pope. All right.

Mr. Casey. The point is, Senator, that that is not trying to influence legislation. We simply go to people who have instructed us as to what they expect us to do, and if the Fish resolution goes into effect, it upsets that plan, and therefore when they see their plans are changed, our picture is different.

Senator Pope. Do you mean by that that the officials in the Army and Navy Departments have requested you to bring to their attention any legislation affecting embargoes?

Mr. Casey. They have requested us nothing of the kind. We figure that we have a definite obligation, as long as they expect us to do certain things, to inform them of anything that comes to our attention, not knowing whether they have seen it or not, that may influence the very plans we are operating under.

Senator Pope. Yes. All right; let us go on.

Now, referring to another memorandum prepared by you, Major Casey, dated February 23, 1934. Well, it has two dates on it.

Washington, D. C., February 15, 1934, and then it has another date of February 23, 1934. I do not know which was correct. But, at any rate, the first paragraph of that memorandum reads as follows:

> Had a talk with Colonel Brabson, of Military Intelligence, and drew his attention to the Nye resolution. As Colonel Brabson comes from Tennessee and is very close to Secretary Hull, he will discuss this matter with him, so that when the matter is referred to the State Department, at least they will be familiar with the situation and the possible disadvantages from the viewpoint of the Army.

This memorandum was given to you and you are familiar with its contents?

Mr. Casey. I wrote the memorandum.

Senator Pope. It is your memorandum?

Mr. Casey. Yes.

(The memorandum referred to was marked "Exhibit No. 1032" appears in full in the text.)

Senator Pope. You were the one that had a talk with Colonel Brabson, then, calling his attention to the Nye resolution?

Mr. Casey. Yes.

Senator Pope. What did he say about it?

Mr. Casey. Again the possible effect it might have on the national defense and our part in the national-defense picture.

Senator Pope. Yes.

Mr. Casey. It was brought out at the first hearing, and I think, Senator, you asked the question—I know Senator Clark did—"What did Colonel Brabson do about it?" I said, "As soon as I had reported it, I was through. I made no further move." Senator Clark then said, "I know Colonel Brabson and I know he did not take it up." I said, "That is something I know nothing about. I made no attempt to find out from Brabson, after I had once reported it to him, the possible effect it might have on the national defense, or going any further."

Senator Pope. Your great concern here with reference to the Nye resolution, as well as others, was the effect it might have on the national defense?

Mr. Casey. That is all.

Incidentally, Senator, in this connection, anybody who knows Colonel Brabson, I think everybody loves and respects him. He is an officer and a gentleman. When a thing is reported to Brabson, I know the way an Army officer feels. He is perfectly willing to have you tell him something, but he knows that he should not tell you what he expects to do, if anything.

In other words, he knows in giving the information that you are giving it for his benefit. If he sees fit to use the information you are giving him or not is his function. He knows that I know only too well that I am not going to be foolish enough to put one of these men in a corner and ask him, "What did you do about it?" They would feel that I know that I would not ask such a question.

Senator Pope. You have such an understanding with them?

Mr. Casey. Yes; because I know the function.

Senator Clark, I believe, will again speak of the type of man Colonel Brabson is. There is no question at all but what he would resent any effort on my part to get him to do something that he thought was improper or that he should not do.

Senator POPE. Did he speak up at this time when you suggested that he see Secretary Hull?

Mr. CASEY. He simply accepted the suggestion and made no comment.

Senator CLARK. Major, I said I think very highly of Colonel Brabson, which I do. I was certain that the suggestion contained in your report that he go over and talk to Secretary Hull on the grounds of personal friendship did not represent anything Brabson had done, because I think Brabson has got too much sense to do that.

Mr. CASEY. I agree with you, but I was thoroughly justified in taking up a matter which might affect the whole set-up of the Assistant Secretary of War's office.

Senator POPE. You say you thought he had too much sense to go and see Secretary Hull?

Mr. CASEY. Senator Clark said that.

Senator POPE. I thought you agreed with Senator Clark.

Mr. CASEY. I do. I agree with him in his estimation of the man.

Senator POPE. You asked him to go see Secretary Hull?

Mr. CASEY. I did not ask him.

Senator POPE. You suggested it instead of asking him?

Mr. CASEY. That he might see him when it came to the State Department.

Senator POPE. I see.

Mr. CASEY. But just realize this, Senator: I was making a suggestion. That does not mean that Brabson follows my suggestions.

Senator POPE. Oh, no. And if you had asked him, it would not have meant that he would have gone to see him, either.

Mr. CASEY. No, no; not a bit.

Senator POPE. I call your attention to another memorandum by Mr. Aiken Simons, your Washington representative, dated January 26, 1928.

(The memorandum referred to was marked "Exhibit No. 1033" and is included in the appendix on p. 2838.)

Senator POPE (reading):

> It had come to our attention that Representative Hamilton Fish of New York had introduced resolutions into Congress forbidding the shipment of munitions to any country with which the United States was at peace. It was desired to ascertain if this bill was known to the War Department and if there had been any change in the previously announced policy of the War Department to encourage the private manufacture of munitions in the United States.
>
> I called on Col. Standley B. Embick of War Plans Division, General Staff, who was unaware of the bill but advised me that there had been no announced change of policy on the part of the War Department.
>
> I called on Lt. Col. William B. Wallace, executive officer G–4, General Staff, who knew of no change in policy but arranged to have me meet several officers in the Office of the Assistant Secretary of War as follows: Col. William P. Wooten (not in); Maj. Leonard T. Gerow, Maj. Larry P. McAfee; who discussed the matter at some length. While we were talking, Lt. Col. James D. Fife came in and continued the discussion. I learned from Colonel Fife and Major McAfee that far from there being any detrimental change in policy of the War Department that the Secretary of War had strongly urged, in his annual report, that every effort be made to encourage private manufacture and had recommended changes in the national defense account, as well as sufficient appropriations to permit educational orders being given to the private manufacturers.

The matter was then discussed with General Williams, Chief of Ordnance, who had not seen the bill but did not take it very seriously. Since Mr. Fish, who introduced this bill served creditably in the A. E. F. and was promoted to major, it is considered that he is a friend of the services and it is possible that his purpose in introducing these resolutions was to render other action ridiculous or ineffective.

What do you know about that situation there? Do you have some information that this proposed embargo was offered by Representative Fish in order to render their actions ridiculous or ineffective?

Mr. Casey. I have no other information but what is in this report.

Senator Pope. That is all you have?

Mr. Casey. Yes. I do not know to this day what Representative Fish had in mind, what his purpose was, why he introduced the bill, or anything else. I never made any steps to find out.

Senator Pope. Do you know what Colonel Simons had in his mind?

Mr. Casey. I do not believe he had anything beyond what he reported here.

Now, do you not think, Senator, that the very first paragraph, likewise the third paragraph down, indicate pretty clearly what I have been saying right along? It is the question of the effect on the national defense and our part in the picture.

Senator Pope. Oh, I think there is not any doubt that you were going from one to the other of these officials here talking to them about this proposed embargo on the shipment of certain arms which you were selling.

Mr. Casey. No. We are trying to find out if there was any change in their policy.

Senator Pope. Yes.

Mr. Casey. That was our sole purpose.

It might be in order at this time to read two memorandums that have emanated from the War Department, one from the Office of the Chief of Ordnance, the other, I believe, from The Adjutant General's Office.

Would you mind reading those, Lammot, please?

Senator Pope. Are they brief—fairly brief?

Mr. Casey. Very brief.

Senator Pope. All right, go ahead.

Mr. Lammot du Pont. This is a letter by Lutz Wahl, Brigadier General, Acting The Adjutant General, dated August 20, 1925.

Manufacture of Material Conforming to United States Army Specifications for Foreign Governments by the United States Manufacturers

The chiefs of all supply branches:

The following policy, which has been approved, is communicated to you for your information and guidance:

STATEMENT OF POLICY

1. When a foreign government orders material from manufacturers in the United States, and supplies specifications for the material even though the material is the duplicate, or practical duplicate, of material with which the War Department is supplied on United States Army specifications, the War Department should take no steps to restrict the manufacture of the material or its supply to the foreign government, but should encourage such transaction unless limitations for reasons other than secrecy are in effect. Manufacturers should be encouraged to keep the War Department informed of such transactions.

2. When a foreign government orders material from manufacturers in the United States to be made in accordance with United States Army specifications, and specifies that such material shall be made to agree with such specifications without furnishing the specifications, the War Department should encourage such manufacture and only oppose it if confidential or secret military information would be divulged to the foreign government by permitting such manufacture and supply, unless other limitations are in effect at the time which would require restrictive measures by the War Department. The War Department should be the judge of whether the material embodies confidential or secret military features. Manufacturers to whom United States Army specifications are supplied should be required to refer all requests for material ordered thereunder by agencies other than those of the Federal or State Governments, to the War Department for decision as to whether the specifications may be used for the purpose desired.

By order of the Secretary of War.

Mr. Casey. That is one, read the other one.

Mr. Lammot du Pont. The date of that——

Mr. Raushenbush. That is August 20, 1925.

Senator Pope. You wanted to offer that in evidence?

Mr. Raushenbush. It has been read.

Mr. Casey. I think so.

Mr. Lammot du Pont. Will you assign it an appropriate number?

(The document referred to was marked "Exhibit No. 1034" and appears in full in the text.)

Mr. Lammot du Pont. This one is under date of August 8, 1934, signed by W. H. Tschappat, Major General, Chief of Ordnance.

Ordnance Office Memorandum No. 462

1. Policy of War Department regarding foreign sales of arms and munitions, etc. Reference O. O. 383.4/357 with enclosures, and O. O. 472.5/2890 with enclosures, the following information regarding the policy of the War Department, on foreign sales of arms and munitions, etc., is published for the information of all concerned:

The general policy and practice of the War Department will continue as it has in the past to offer no military objection to the foreign sale of arms and munitions by American manufacturers, or furnishing such manufacturers with information and facilities within the control of the War Department to enable them to execute such sales, when in the discretion of the Secretary of War, no military information of a secret or confidential nature is disclosed thereby, and such action is considered to enhance the interests of National Defense by encouraging the maintenance of facilities for supply in the event of an emergency.

However, all proposals of this nature received by procuring arms and services will be submitted to The Adjutant General for the action of the Secretary of War. Each case will be decided upon its own merits and, in order to assure that no international agreements or foreign policies are violated, the State Department is consulted. In this connection, it is necessary for the procuring agency to maintain the closed cooperation with the Navy Department in matters affecting foreign sales or the release of information pertaining to military material, and no action will be taken unless the Navy Department, if the matter is of interest to the Navy, is in agreement.

W. H. Tschappat,
Major General, Chief of Ordnance.

That will also be marked?

Mr. Raushenbush. Yes. That is "1035."

(The document referred to was marked "Exhibit No. 1035" and appears in full in the text.)

Senator Pope. Yes. I understood that was the policy of the War Department. There is no question about that.

Mr. Casey. Every move we have made so far has simply been because of that policy. We wanted to see whether there was a change of policy, or if there was something coming which might affect that policy. I think in view of the fact that we are looked on by the War Department and the Navy Department as such an important part of their entire munitions policy and the industrial preparedness program that we are in duty bound to report, in case they have not caught it themselves, any instance we may find, whether it is read, a conference, or no matter what it might be, that might affect the very arrangement we are now working under.

Senator POPE. For that reason you called their attention——

Mr. CASEY. That is all.

Senator POPE. To the embargo legislation or anything else, with respect to your business?

Mr. CASEY. In most instances we find they know all about it, but sometimes we will catch it before they do.

Senator POPE. I will now refer to a letter written by Amos A. Fries, Major General, Chief of Chemical Warfare Service, under date of February 7, 1928. I will read the first paragraph and one or two others.

> On January 25, 1928, Mr. Theodore Burton, of Ohio, introduced into the House of Representatives a joint resolution known as "House Calendar 136, House Joint Resolution 183, Seventieth Congress, first session", also given file no. report 492. This is a resolution to prohibit the exportation of arms, munitions, or implements of war to belligerent nations.

Then I will omit the next paragraph, unless somebody wants it read.

> Would not such a bill encourage the radicals and Communists to continuually attack the United States in its commercial relations with other nations when any two or more of them may be engaged in war?

Did you discuss this matter with General Fries?

Mr. CASEY. I never heard of the letter.

Senator POPE. Dealing with encouraging the radicals and Communists?

Mr. CASEY. I never heard of the letter until it was put in front of me.

Senator POPE. I will now read the last paragraph of the letter.

> It is believed that such a bill is exceedingly bad. I am just calling this to your attention as a matter which seems to me to be worthy of serious consideration by those interested in the chemical industry in this country.

(The letter referred to was marked "Exhibit No. 1036" and is included in the appendix on p. 2840.)

Senator POPE. You say you were not familiar with that letter?

Mr. CASEY. No; that was out of my bailiwick.

Senator POPE. At any rate, that shows the attitude of General Fries.

Mr. CASEY. Of the War Department.

Senator POPE. Yes. You were familiar with that at the time it reached you, Mr. du Pont?

Mr. LAMMOT DU PONT. I think not. I think that letter is addressed to Mr. Irénée du Pont, is it not?

Mr. CASEY. Yes.

Senator POPE. Do you recall it, Mr. Irénée du Pont?

Mr. IRÉNÉE DU PONT. No; I do not recall it.

Mr. RAUSHENBUSH. He seems to be interested in poisonous gases.

Senator POPE. It is suggested we look at the second paragraph of the letter.

> Section 3 starts out as follows:
>
> "As used in this joint resolution, the term 'arms, munitions, or implements of war' means * * * 13. Poisonous gases, acids, or any other articles or inventions prepared for use in warfare."

Did you ask any question about that?

Mr. RAUSHENBUSH. No. I was just calling attention that this was the head of the Chemical Warfare Service there, and that he was interested in that section, apparently.

Senator POPE. Keeping in mind this communication from General Fries, I call your attention to a letter on February 9, 1928, from Mr. Irénée du Pont to the General. "Dear General." Who would that be; General who, Mr. du Pont?

Mr. IRÉNÉE DU PONT. Unless it is General Fries, I do not know. I have forgotten all about it.

Senator POPE. I presume it would, from the context.

Mr. IRÉNÉE DU PONT. To General Fries; yes.

Senator POPE. Yes. You say:

> DEAR GENERAL: I agree with you that a law passed by Congress forbidding exportation of arms, munitions, or implements of war to belligerent nations would result in much mischief or worse. In fact, enforcing such a statute may very well force the United States into war with one of the belligerents.
>
> I admire the desire to discourage war, which doubtless has prompted the proposal; but it seems to me self-evident results flowing from the passage of the law have not been at all considered. This law would at once put other nations on notice that they must build their own munitions plants and create supplies of all war materials, if they are to have any protection; that they must lay in supplies of munition for eventualities. It would seem to me just as consistent to broaden the scope and prohibit all trading with belligerents. That would be fairer, clearer, and easier enforced.
>
> If we are going to take the position of forcing our will on other nations in the shape of "thou shalt not fight", we had better get prepared to do a good deal of fighting ourselves.
>
> Sincerely yours,
>
> (Signed) IRÉNÉE DU PONT.

(The letter referred to was marked "Exhibit No. 1037" and appears in full in the text.)

Mr. IRÉNÉE DU PONT. Those sound like my sentiments. I do not recall the letter.

Senator POPE. I call your attention, Mr. Irénée du Pont, to your letter of February 9, 1928, being a memorandum to the legal department, Mr. C. R. Mudge:

> Attached is a copy of letter received from Major General Fries, Chief of Chemical Warfare Service, and my reply.
>
> It seems to me that this is a very grave question, and the passage of the resolution should be opposed and defeated.

(The letter referred to was marked "Exhibit No. 1038" and appears in full in the text.)

Senator POPE. That resolution you referred to was evidently the Burton resolution?

Mr. IRÉNÉE DU PONT. I could not recall.

Senator POPE. That is the one that is referred to in the letter of General Fries?

Mr. IRÉNÉE DU PONT. I do not have that letter in front of me.

Senator POPE. In the former hearing, Mr. du Pont, before this committee we were discussing the Fish resolution, as I recall, and I asked this question:[1]

> Mr. du Pont, following this designation of your attitude in 1924 with reference to the embargo act, what would you say was the attitude of your company as to previous bills or resolutions introduced in Congress providing for embargoes on war materials?

Mr. Pierre du Pont answered:

> I was not aware that there were any such. I have not been very active in that department of the business, and I do not know of any.

Mr. Lammot du Pont said:

> Senator, I do not know of any.

This will now recall your mind to the Burton resolution, which was before the Fish resolution, was it not?

Mr. IRÉNÉE DU PONT. Yes.

Senator POPE. And at least this much activity has been made on your part?

Mr. IRÉNÉE DU PONT. I do not consider that activity. I receive a letter and I write about 6 or 8 lines giving my personal views on the matter, and refer the matter to Mudge, as I thought the legal department might be interested.

Senator POPE. Who is Dr. Reese?

Mr. IRÉNÉE DU PONT. Dr. Reese used to be in charge of the high-explosives research end of the company. He is a chemist of note.

Senator POPE. Of the du Pont Company?

Mr. IRÉNÉE DU PONT. Yes.

Mr. LAMMOT DU PONT. He is now retired.

Senator POPE. Was he in your employ on February 22, 1928?

Mr. IRÉNÉE DU PONT. I think so.

Senator POPE. The next exhibit is a memorandum dated February 22, 1928, directed to Mr. Lammot du Pont, signed by Charles L. Reese.

(The memorandum referred to was marked "Exhibit No. 1039" and appears in full in the text.)

Senator POPE (reading):

> Referring to your memorandum of February 14 enclosing copies of correspondence between General Fries and Mr. Irénée du Pont with regard to the joint resolution which Mr. Theodore Burton has introduced in the House of Representatives to prohibit the exportation of arms, munitions, or implements of war to belligerent nations, I have taken steps to get further information with regard to this resolution and also to be kept in touch with its progress. I have also made arrangements to have this matter presented to the executive committee of the Manufacturing Chemists' Association at its next meeting on March 14. I am sorry this matter did not come to my attention a day or two earlier, as I could have taken it up at our recent meeting. Mr. Tierney, secretary of the Manufacturing Chemists' Association, will keep me in touch with the progress of this resolution, which I do not believe can possibly pass.

Do you know whether or not that was taken up with the Manufacturing Chemists' Association for such action as it might take?

Mr. IRÉNÉE DU PONT. I do not. This is the first time I have seen it so far as I know.

Mr. RAUSHENBUSH. That was addressed to Mr. Lammot du Pont.

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[1] Hearings, Part V, p. 1125.

Senator POPE. That was addressed to Mr. Lammot du Pont.

Mr. LAMMOT DU PONT. I do not know.

Senator POPE. At least it was reported to you and evidently came to your attention at that time?

Mr. LAMMOT DU PONT. Yes.

Senator POPE. You knew that it was the purpose of Mr. Reese to present this to the executive committee of the Manufacturing Chemists' Association for such action as they might desire to take?

Mr. LAMMOT DU PONT. Apparently it was his impression.

Senator POPE. I call your attention to a memorandum from Mr. Aiken Simons under date of February 22, 1928, addressed to Mr. C. Stewart Comeaux, secretary Sporting Arms & Ammunition Manufacturers Institute, 103 Park Avenue, New York, N.Y.:

> DEAR MR. COMEAUX:
>
> National Legislation Re: Arms and Ammunition for Export.

The first paragraph reads:

> Receipt is acknowledged of your letter of February 18 in reference to the resolutions introduced, respectively, by Mr. Hamilton Fish, of New York, and Mr. Burton, of Ohio, in the United States House of Representatives.
>
> I have already given this matter some attention and believe that the resolutions introduced by Mr. Fish can be dismissed from further consideration, since by their wording they would prohibit the export of arms to an ally of the United States in time of war and would apparently permit the shipment of arms to an enemy of the United States at any time.
>
> I also made some investigation of Mr. Burton's resolutions, but do not believe they are likely to be passed in their present form. It does not seem discreet, however, to put on record the state of affairs.

(The letter referred to was marked "Exhibit No. 1040" and appears in full in text.)

Senator POPE. Do you have any idea of why you thought it was not discreet there to put on record the state of affairs as to the Burton resolutions, Mr. du Pont?

Mr. IRÉNÉE DU PONT. I do not think I ever saw the letter.

Mr. LAMMOT DU PONT. I have no idea of why he should say that.

Senator POPE. Major Casey, did you hear my reading of the third paragraph of this letter?

Mr. CASEY. I am afraid I did not, sir.

Senator POPE. I will read it again for your benefit. This is a report or letter from Simons to Comeaux. He says:

> I also made some investigation of Mr. Burton's resolutions, but do not believe they are likely to be passed in their present form. It does not seem discreet, however, to put on record the state of affairs.

What state of affairs was it that was not discreet for him to put on the record?

Mr. CASEY. I have not the slightest idea.

Senator POPE. Do you know what the state of affairs was with reference to the activity of Mr. Simons pertaining to the Burton resolutions?

Mr. CASEY. He had no activities.

Senator POPE. He had none?

Mr. CASEY. Except having reported it.

Senator POPE. Let us read on, then:

> Regarding further action, I think that the most effective method of handling this would be for Mr. Beebe's committee, appointed by Mr. Hoover in 1925, to

write to Mr. Hoover inviting attention to the Burton resolutions and requesting protection for American industry.

Do you recall the committee that was appointed by Mr. Hoover in 1925?

Mr. Casey. Yes.

Senator Pope. Did you know that Mr. Simons made this suggestion that this committee be called together for this purpose?

Mr. Casey. Yes; I knew that.

Senator Pope. You knew that?

Mr. Casey. Yes; after it was done, I knew it.

Senator Pope. I thought you said a minute ago that Mr. Simons was doing nothing in the way of activity in regard to this, he is merely reporting.

Mr. Casey. That is all he is doing. He is reporting to Comeaux. He is making a suggestion to Comeaux.

Senator Pope. He is making a suggestion?

Mr. Casey. To Comeaux.

Senator Pope. We will finish reading "Exhibit No. 1040."

Since you are, no doubt, unfamiliar with "Mr. Beebe's committee", I will give you a brief outline.

In the spring of 1925 it became known that an international congress was to be held at Geneva for the purpose of limiting the exportation of munitions and that it was probable that efforts were to be made by certain foreign elements to prohibit the private manufacture of munitions. On March 28, 1925, Mr. Hoover, Secretary of Commerce, telegraphed a number of American manufacturers of arms and munitions inviting them to attend a conference to be held in Washington April 1. This conference was presided over by Mr. Hoover in person and was attended by representatives of a number of industries.

After a preliminary discussion Mr. Hoover requested the conference to organize and appoint its own committee. Mr. Beebe, as chairman, appointed the following executive committee: Major Simons, Du Pont Co., vice chairman; Mr. Nichols, Colt Patent Firearms Co.; Mr. Reierson, Remington Arms Co.; Mr. Harrington, Harrington & Richardson Arms Co.

We found Mr. Hoover very sympathetic and helpful throughout, and with his assistance a call was sent to 36 other industries which had not at that time sent delegates and which tended to give our committee a more national scope and authority.

Resolutions were drafted showing the objections of the American manufacturers to the proposed international agreement and at a later conference held in Washington.

On April 14 the executive committee presented their final report to Mr. Hoover, at a meeting at which he presided, which was attended by the American delegates to Geneva, namely, Admiral Long, General Ruggles, Major Strong, Mr. Bulles, and Mr. Mariner.

Evidently this committee represented the opinions and decisions of the following firms: E. W. Bliss Co., Brooklyn, N. Y., torpedoes, etc.; Colt Patent Firearms Co., Hartford, Conn.; Goodyear Tire & Rubber Co., Akron, Ohio, ballons and dirigibles; Harrington & Richardson Arms Co., Worcester, Mass.; Hercules Powder Co., Wilmington, Del.; Hunter Arms Co., Inc., Fulton, N. Y.; Ithaca Gun Co., Ithaca, N. Y.; Iver Johnson Arms & Cycle Works, Fitchburg, Mass.; Remington Arms Co., New York City; U. S. Cartridge Co., New York City; Winchester Repeating Arms Co., New Haven, Conn.; Western Cartridge Co., East Alton, Ill.

It is believed, says Mr. Simons, that by the action of Mr. Hoover in appointing this committee and the committee's subsequent work the Geneva Conference was prevented from adopting international agreements which would have been burdensome to American manufacturers and, so far as I know, the committee has never been dissolved. I suggest, therefore, that Mr. Beebe write Mr. Hoover recalling to his memory the events of April 1925 and inviting his attention to the Burton and Fish resolutions, which we believe to be equally injurious to the national defense and to the best interests of the American industries involved, and requesting Mr. Hoover to give us such support as he may judge proper and appropriate. It would also seem desirable for Mr. Hoover to notify the firms which his committee represented, so that the facts can be brought to the attention of their local Congressmen and Senators.

Very truly yours,

AIKEN SIMONS.

Was this matter brought to your attention as to the suggestion of Mr. Simons with respect to calling this committee together, Mr. du Pont?

Mr. LAMMOT DU PONT. I do not think it was brought to my attention at the time. I at least have no recollection of it.

Mr. IRÉNÉE DU PONT. What is the date of it?

Mr. LAMMOT DU PONT. February 22, 1928.

Mr. IRÉNÉE DU PONT. It was not brought to my attention.

Senator POPE. Do you know about it, Mr. Casey?

Mr. CASEY. No.

Mr. LAMMOT DU PONT. I would like to make an observation with regard to this, however.

Senator POPE. Yes.

Mr. LAMMOT DU PONT. The resolution drafted showing the objections of the American manufacturers to the proposed international agreement were in the nature of recommendations to distinguish between sporting arms and ammunition and millitary arms and ammunition.

Senator POPE. Yes.

Mr. LAMMOT DU PONT. Those recommendations all applied themselves to that particular point.

Mr. RAUSHENBUSH. They went further than that, on the matter of publicity and the like, did they not?

Mr. LAMMOT DU PONT. How is that?

Mr. RAUSHENBUSH. As I remember it, they went further than that as to the matter of publicity and the like, and the control of it.

Mr. LAMMOT DU PONT. I think the resolution was entered in here.

Senator POPE. Yes; that was gone into the other day.

Mr. LAMMOT DU PONT. With reference to the Geneva Conference having been prevented from adopting international agreements which would have been burdensome to American manufacturers, I think that refers to that same point.

Senator POPE. It does not say so.

Mr. LAMMOT DU PONT. No; it does not say so.

Senator POPE. And the fact is they did go further in their recommendations, according to the testimony of a few days ago, when the mere sporting-arms proposal, having to do with publicity and the methods of licensing, and so forth.

Mr. LAMMOT DU PONT. I do not recall it.

Senator POPE. I do.

Mr. IRÉNÉE DU PONT. Was that the piece of legislation that Congress held up for 8 years?

Senator POPE. Yes; that is exactly the same piece.

Mr. Raushenbush, do you have there a memorandum or letter dated February 28, 1928, from Mr. Beebe to Major Simons?

Mr. RAUSHENBUSH. Yes.

Senator POPE. I would like to have it marked with the appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 1041", and appears in full in the text.)

Senator POPE. The title of that memorandum or letter is, "National Legislation", and it reads:

> MY DEAR MAJOR: Mr. C. Stewart Comeaux has handed me copy of your letter of February 22.
>
> I am rather inclined to agree with you in the matter of getting Mr. Hoover to call a meeting. However, there are certain angles to this that I would like very much to discuss with you personally.
>
> Will you by any chance be in New York in the near future? If so, I would be glad to run down and talk with you about it before taking any definite action.
>
> With kind personal regard, I remain,
>
> Yours very truly,
>
> H. F. BEEBE.

Mr. Beebe, were those angles that you referred to having to do with the proposed calling of this committee together to oppose the Fish and Burton resolutions?

Mr. BEEBE. I do not remember exactly what the angles were that were referred to at that time. There are a number of things that might happen to indicate whether it was a good thing or not a good thing to have a meeting called. For instance, if we happened to know that people were opposed to this legislation or believed that a sufficient number were opposed to it so it would never pass, there was no use of our wasting our time on it.

Senator POPE. It would be unnecessary to call the committee together?

Mr. BEEBE. Yes. On the other hand, if we thought there was something in it that might be detrimental to the traffic in sporting arms, or even in foreign governments' business, then it might be worth while to do it.

Senator POPE. I refer now to a memorandum or a letter from Mr. Aiken Simons to Mr. Beebe, dated February 29, 1928, which I will offer for the record and ask to have marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 1042", and is included in the appendix on p. 2841.)

Senator POPE. This reads, under the heading of "National Legislation":

> MY DEAR MR. BEEBE: Thank you very much for your letter of February 28 in reference to possible action necessary to preserve the best interests of the American manufacturers of munitions.
>
> I am afraid you misunderstood the action that I suggested in reference to Mr. Hoover, since my belief was and is that better results could be obtained if you, as chairman of the committee appointed by Mr. Hoover in 1925, would write him a letter stating the present situation and inviting attention to the certain hardships which would be placed on American manufacturers and the equally certain damage to the interests of the national defense. In this way the matter could be brought to Mr. Hoover's attention and his aid secured without publicity. Whereas the publicity necessarily attendant on a meeting of American manufacturers at Washington to oppose a bill already before Congress would be equally disadvantageous to the manufacturers and Mr. Hoover.

You felt that any publicity on the part of the manufacturers of munitions would be disadvantageous in opposition to the proposed legislation?

Mr. BEEBE. That is Major Simons' letter to me.

Senator POPE. Yes. That, of course, is what he means?

Mr. BEEBE. Yes; I presume so.

Senator Pope. And the concluding paragraph:

> I trust you will not think that I am urging my own point of view too strongly, but I really believe that the best interests of all would be served if you would write Mr. Hoover at your earliest convenience.
>
> Sincerely,
>
> Aiken Simons.

Now, along that same line, on March 5, 1928, Mr. Beebe, you wrote a letter to the Secretary of Commerce, Mr. Hoover, which I will also ask to be marked with the appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 1043" and is included in the appendix on p. 2841.)

Senator Pope. The subject, according to this letter, is "House Joint Resolution 171." That was Mr. Burton's resolution providing for embargoes, was it not?

Mr. Beebe. As a matter of fact, I do not recall just exactly what that was now.

Senator Pope. I have the resolution here—171 was the Burton resolution.

Mr. Beebe. I guess that is it then.

Senator Pope. Now, the first paragraph of that letter is as follows:

> Dear Mr. Secretary: You will possibly remember that in 1925 prior to the departure of the delegates of the United States to the Geneva Convention for the control of international trade in arms and ammunition you extended an invitation to representatives of arms and ammunition manufacturers to discuss the economic phases of the proposed draft.

What other manufacturers did you discuss it with? Did you see the members of that committee that were appointed at the meeting with Secretary Hoover in 1925?

Mr. Beebe. My recollection is that I did not see all of them, but I think I probably took it up with Mr. Nichols, of the Colt Co.—I have a note here that I took it up with him—and it is quite possible that I took it up with Remington.

Senator Pope. And, of course——

Mr. Beebe. Now, just a minute. I think I took it up with the Arms Institute, the Sporting Arms Institute. Yes; here it is. I wrote a letter to Mr. Comeaux, of the institute, stating that—

> Again referring to your letter of February 3, I am enclosing copy of my letter of March 5 to Secretary Hoover and of even date to Maj. Aiken Simons.

Now, whether he sent that to all of the other members, I do not know.

Senator Pope. Of course you had heard from Major Simons with the suggestion that you pursue this course, hadn't you?

Mr. Beebe. Yes.

Senator Pope. I think no other part of this letter is necessary to be read, unless you desire it read.

Mr. Beebe. I don't think there is any more necessary. It was a straightforward request for the privilege of stating our case.

Senator Pope. It was a very strong letter to Secretary Hoover, a very persuasive letter, requesting he call the meeting together again.

Mr. Beebe. A sales letter.

Senator Pope. Another sales letter; yes.

Now I call your attention to a communication from Mr. Thomas R. Taylor to you, Mr. Beebe, under date of March 10, 1928, which I will ask to have marked with the appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 1044" and appears in full in the text.)

Senator POPE. In this letter from Mr. Thomas R. Taylor, assistant director—by the way, who is Mr. Taylor, assistant director?

Mr. BEEBE. I do not know. He is a du Pont man writing me in place of Maj. Aiken Simons.

Mr. LAMMOT DU PONT. Thomas R. Taylor?

Senator POPE. Yes; Thomas R. Taylor.

Mr. LAMMOT DU PONT. I do not think so.

Senator POPE. Is he an official of the Department of Commerce?

Mr. BEEBE. Oh, yes. Who is that from?

Senator POPE. Thomas R. Taylor, assistant director?

Mr. BEEBE. Oh, yes; that is a letter from the Department of Commerce.

Senator POPE. Yes.

Mr. BEEBE. I am sorry. I thought it was du Pont.

Senator POPE. Let us read that letter:

DEAR MR. BEEBE: Your letter of March 5 relative to H. R. Resolution 171 has, in the pressure of work upon Secretary Hoover and the absence of Dr. Klein, been referred to me for attention.

We can readily recognize the importance to you of the provisions of the proposed bill, but I am afraid that there is no action that this Department can take. Opinion on pending legislation is not expressed unless specifically requested, and in this particular case noncommercial opinion would be of importance equal to or greater than the strictly commercial viewpoint.

I believe that you can assume that hearings on the bill will be held if asked for and if the bill shows legislative progress. Doubtless you will wish to get in touch with Mr. Burton, the author of the bill, and with some (notably Mr. Andrew of Massachusetts) who oppose it.

In any event, I am quite sure that the Secretary could not consistently call a conference of interested manufacturers.

We are much interested in the matter, and I would appreciate it if you will advise us as to the action you take.

I simply read that to show that they refused to call the conference, the Department of Commerce did.

Mr. BEEBE. Yes.

Senator POPE. I now call your attention to a letter from Mr. Aiken Simons to you, Mr. Beebe, under date of March 15, 1928, which I will also ask to be marked with appropriate exhibit reference.

(The letter referred to was marked "Exhibit No. 1045" and is included in the appendix on p. 2842.)

Senator POPE. He says:

MY DEAR MR. BEEBE: Thank you very much for your letter of March 13, with which you sent me a copy of a letter received by you from Mr. Thomas R. Taylor, assistant director in the Bureau of Commerce, as well as your reply to Mr. Taylor, dated March 13.

I am sending you herewith a clipping from the New York Tribune of March 15, which develops the fact that the Burton resolutions have been returned to the House Committee on Foreign Affairs and that hearings will be held tomorrow morning. Apparently Mr. Taylor was misinformed on the action of his own department or he did not wish to make a premature statement of such action.

With the opposition of the War Department, the Navy Department, the State Department, and the Department of Commerce, as well as the American Legion and certain Representatives on the floor, such as Mr. Andrew of Massachusetts, I do not think that we need worry very much about the passage of these resolutions.

Mr. Beebe, what do you know about the statement of Mr. Simons, the representative of the du Pont Co., that these resolutions had the opposition of the War Department? Do you know about that?

Mr. Beebe. I do not believe I knew about it at the time, except from his letter.

Senator Pope. Did you call on the War Department and talk to any of the officials?

Mr. Beebe. I do not remember having done so at that time. I think my memorandum here would show it if I had. I do not think I have anything here on that.

Senator Pope. Mr. du Pont, do you know anything about the statement of your agent here as to the opposition of the War Department and the Navy Department and the other departments?

Mr. Irénée du Pont. I never heard about it until this hearing. I never heard anything about it. I retired in 1926, and I was not active in any part of it. I could not possibly know anything about it except from this exhibit that you have given here. But I think you read some letter a few minutes ago where Mr. Simons or Major Casey had called on the different members of the Department. I rather gathered from the statements in those interviews that they did not approve of it.

Senator Pope. This was several months later.

Mr. Beebe. I just found this note:

> Article from Army-Navy Journal, March 1928. Burton Resolution Opposed. Opposition to the passage of the Burton resolution to prohibit the export of war materials, etc., was registered with the House Military Committee this week by the War Department—

And so forth.

Senator Pope. That was from the Army and Navy magazine?

Mr. Beebe. That was from the Army and Navy Journal dated March 10, and this letter of Aiken Simons is March 15. So apparently the opposition was known at that time.

Senator Pope. How about the Navy Department?

Mr. Beebe. I do not recollect that. I have not read all of that article. There may be something in there about that.

Mr. Lammot du Pont. Perhaps it is in the Navy Journal.

The Chairman. No; the first one was in the Army and Navy Journal.

Wouldn't it be well, Senator Pope, to have that editorial or article, whatever it was——

Mr. Beebe. I think I have an extra copy here that I can let you have.

The Chairman (continuing). From the Army and Navy Journal printed in the record?

Senator Pope. Yes; I think so, if you have an extra copy, Mr. Beebe.

Mr. Beebe. I think that is exactly the same thing.

(Article from Army-Navy Journal, Washington, D. C., Mar. 10, 1928, is as follows:)

BURTON RESOLUTION OPPOSED

Opposition to the passage of the Burton resolution to prohibit export of war material to belligerent nations was registered with the House Military Committee this week by the War Department on the ground that it "will aggravate to no small degree the difficulty of accomplishment of an adequate national preparedness." In this letter to Chairman Morin, Acting Secretary of War Robbins stated that its provisions were so broad it could be construed as forbidding the exportation of rifles, shotguns, and other firearms primarily intended for other purposes, and in addition commercial products such as electrical and optical products, steel, copper, and starch, and all articles which might be of assistance in war. The letter said in part:

" It is the policy of our Government to rely upon American industry to furnish munitions in the event of an emergency instead of building and maintaining large Government arsenals of quasi-Government plants. During the World War our Government arsenals produced less than 10 percent of our war requirements, and since the war we have dismantled our Government-owned armament industry to the point where it is imperative that a still greater reliance must be made on private industry for munitions in case of an emergency.

" If now we limit our private industry by shutting off its export trade, we will reduce its ability to furnish our own necessities in time of need. It would require a great expenditure to construct and maintain Government plants of sufficient capacity to meet technical requirements such as ordnance and air craft in a major war. In order to keep alive the art of making munitions, so that in case of emergency private industry may return at once to the manufacture of arms and equipment for the United States, bills have been presented in the House and in the Senate (H. R. 450, 5662 and S. 1824) to authorize the War Department to place educational orders for small quantities of munitions with as large a number of commercial plants as practicable, so that the great potential power of American industry may be rendered promptly effective in the event of war.

The enactment of the legislation (H. J. R. 183) in its present form could readily result in our suppressing the products and sources of supply of arms vitally necessary to our national defense. Had this legislation been in effect prior to the World War we would have been totally unprepared to enter this conflict with our allies in an endeavor to uphold what we considered our sovereign rights.

The definitions given in section 3 are dangerously broad and their effect would be to put an absolute embargo on an important division of our legitimate foreign trade in articles which have not been and reasonably cannot be used in warfare. For instance, the sweeping terms used in section 3 of the joint resolution would prevent the export of sporting rifles, shotguns, and firearms designed, intended, or adapted for nonmilitary purposes.

The provisions of paragraph 4 of section 3, combined with paragraph 8 (c) and paragraphs 9 and 14, would effectually cripple a large portion of our electrical and optical export trade. Practically all fire-control systems are dependent upon either land or submarine cable of a commercial type not exclusively designed or intended for warfare purposes. Practically all lenses intended for the higher grade trade may be made use of either in cameras, telescopes, or field glasses, which can be used for warfare purposes whether primarily so intended or not.

Paragraph 13, from a practical standpoint, is incapable of being enforced without a total prohibition of the export of all gases, acids, etc., for the reason that the secondaries of all gases or acids, the use of which is sought in warfare, are purely commercial products whose use in commercial lines is far more extensive than in warfare.

If strictly applied the language of section 3 might be construed as forbidding the exportation of many articles such as steel, copper, starch, and other materials which have many vitally important commercial uses merely because they are capable of being used in the manufacture of munitions.

Senator Pope. Do you see in that Army and Navy magazine any statement that the American Legion was also opposed to this legislation?

Mr. Beebe. I have not read it since it was put in this folder. I will be glad to have you read it or try to read it myself now.

Senator Pope. Do you know of your own knowledge whether the American Legion was opposed to these embargo acts?

Mr. Beebe. No; I know nothing about it. I might make this statement: I am not in close touch at all with matters in Washington. I am up there in New Haven and I hear or perhaps read something in the papers or perhaps I get some letters from some people that are in closer touch. I examine those and if they appear to have any particular points that we think are unfair to our trade or our position in the matter, I take it up with the proper authorities, and usually I go to the Congressmen or Senators from our district, or whoever is at the head of the committee, or these other manufacturers. We talk it over. We found, I think, in one resolution there that if a man was found with a gun made in a certain time it was construed that he had done something wrong.

Senator Pope. Do either of you, Messrs. du Pont, know anything about that opposition of the American Legion which your agent writes about?

Mr. Irénée du Pont. I never heard of it.

Mr. Lammot du Pont. I never did. I presume it was reported or published in the same manner that this Army proposition was.

Senator Pope. Are you acquainted with Mr. John Thomas Taylor, who was the legislative agent or the head of the American Legion in some capacity?

Mr. Lammot du Pont. I never have met him. I don't know him.

Senator Pope. As I read this, I recalled a statement in a recent publication to this effect:

> Another disclosure which came years later was that John Thomas Taylor, legislative agent of the American Legion in Washington, was also acting as treasurer of an organization of chemical manufacturers.

Do you know whether he was ever treasurer of an organization of chemical manufacturers?

Mr. Lammot du Pont. No.

Senator Pope. This goes on:

> The chemical manufacturers of the world have an interest in gas warfare. It was Taylor who led the publicity campaign against the treaty to abolish poison gas in war. Representative Burton of Ohio asked that Taylor's activities be investigated. Representative Fish stated it was Taylor who forced the American Legion to adopt a resolution against the proposed treaty.

We are very unfortunate in not being able to question Mr. Simons as to what he meant by the opposition of the American Legion to this proposed legislation. We are at a distinct disadvantage because he is not here. He is still very ill, isn't he?

Mr. Lammot du Pont. I thought you read there that Taylor forced the Legion to oppose this.

Senator Pope. No. I was reading from a statement in a recent publication that Taylor's activities be investigated because he forced the American Legion to oppose the treaty which would outlaw poison gas as an instrument of war.

Mr. Lammot du Pont. That he, Taylor, forced the Legion to oppose it?

Senator Pope. Yes; to abolish the treaty. You knew nothing about Mr. Taylor's activities, Mr. Beebe?

Mr. Beebe. I don't even know him.

Senator Pope. This letter, "Exhibit No. 1045", goes on:

> My personal belief is that any activity before Congress on the part of your company, mine or other munition manufacturers, would prove a detriment rather than a help to our cause, in that it would enable the pacifist and seditious elements to claim that munition manufacturers encourage war and the trade in war material for their own benefit.

Do you know what your agent or whom your agent included in that term "pacifist and seditious elements", Mr. du Pont?

Mr. LAMMOT DU PONT. I could not say.

Senator POPE. Presumably he meant those who would oppose the Burton or any other similar embargo act. Wouldn't you take it that that is what he meant?

Mr. LAMMOT DU PONT. No, I would not think so. Seditious elements are not such, I don't believe.

Senator POPE. If he meant that, you would not agree with him that those who might be in favor of embargoes would necessarily be seditious?

Mr. IRÉNÉE DU PONT. He does not say that. I would not get that from that statement.

Senator POPE. I will read it again:

> My personal belief is that any activity before Congress on the part of your company, mine, or other munition manufacturers would prove a detriment rather than a help to our cause—

I take it your cause there was the opposition to this legislation—

> in that it would enable the pacifist and seditious elements to claim that munition manufacturers encourage war and trade in war material for their own benefit.

Mr. LAMMOT DU PONT. I think the cause there, Senator, is the protection of American industry.

Mr. IRÉNÉE DU PONT. To answer your question on that—of course, it is all new to me—this says it gives an opportunity to those two groups to put up that argument. It does not say that others might be on the same side with them to put up that argument, as I understand your reading of it.

Senator POPE. Of course, you do not know what Mr. Simons meant by that term.

Mr. IRÉNÉE DU PONT. No; I never heard it before.

Senator POPE. Or what he meant by the "cause" here?

Mr. IRÉNÉE DU PONT. What?

Senator POPE. Or what he meant by the term "our cause" here?

Mr. IRÉNÉE DU PONT. I gather from your reading of it that he meant opposition to this gas-warfare proposition.

Senator POPE. Oh, no; this letter has nothing to do with gas warfare.

Mr. LAMMOT DU PONT. Embargoes.

Senator POPE. It is these embargo proposals.

Mr. IRÉNÉE DU PONT. I had nothing to do with it at all.

Senator POPE. We are in difficulty again in that Mr. Simons is not here. I would like to ask him about that.

I will introduce just one more letter here, which is very brief, just a paragraph, and then we will be at a good stopping point. This will be marked the next exhibit number.

(The letter referred to was market "Exhibit No. 1046" and is included in the appendix on p. 2843.)

Senator POPE. I call your attention, Mr. Beebe, to a letter of yours dated March 17, 1928, addressed to Major Simons, in which you say:

> MY DEAR MAJOR: This will acknowledge receipt of your letter of March 15, enclosing clipping from the New York Tribune of that date.
>
> It is fortunate, indeed, that apparently enough opposition has developed in other directions to make it unnecessary for the munition manufacturers to take any concerted action.

The inference is there that if opposition had not developed in other directions sufficient it might have been necessary to take concerted action?

Mr. BEEBE. As I stated before, the fact that we appear against a certain resolution does not indicate, certainly, that we are opposed to everything in that resolution, but it usually means that we have certain changes or reservations that we would like to have included in order not to cripple us or be unfair to us; and if the opposition to the whole thing is such that it is likely not to pass, there is no need to our going to the trouble of presenting our particular objections.

Senator POPE. I understand you.

Mr. BEEBE. Yes.

The CHAIRMAN. The committee will be in recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:35 o'clock p. m., Tuesday, Dec. 11, 1934, the committee recessed to meet at 10 o'clock a. m. of the following day, Wednesday, Dec. 12, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

WEDNESDAY, DECEMBER 12, 1934

United States Senate,
Special Committee to Investigate
the Munitions Industry,
Washington, D.C.

The hearing was resumed at 10 p.m., in the Finance Committee room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), Clark, Pope, Vandenberg, and Barbour.

Present also: Stephen Raushenbush, secretary to the committee.

The Chairman. The committee will proceed.

FURTHER TESTIMONY OF IRÉNÉE DU PONT, LAMMOT DU PONT, AND K. K. V. CASEY

Senator Pope. Pursuing this matter of any activities on the part of the different manufacturers, with respect to legislation, I call your attention, Major Casey, to a letter written by Mr. Aiken Simons under date of April 2, 1928, to Mr. Beebe. I will read a portion of that.

(The letter referred to was marked " Exhibit No. 1047 " and appears in full in the text.)

Senator Pope (reading):

> You have probably followed in the newspapers the opposition which has developed to the Burton resolutions which plan to hamper, if not prevent, the export of munitions from the United States.
>
> The Manufacturing Chemists' Association of the United States maintain an office in Washington, which gets out bulletins from time to time. Bulletin no. 224, dated March 26, on page 4 contains the following information:
>
> " EXPORTATION OF ARMS TO BELLIGERANT NATIONS
>
> " Hearings before the House Committee on Foreign Affairs have continued during the last 2 weeks on Representative Burton's resolution, House Joint Resolution 183, to prohibit exportation of arms, munitions, etc., to belligerent nations.
>
> " The most effective testimony against the measure was presented by Secretary Davis, of the War Department, and Secretary Wilbur, of the Navy Department, who represented that a denial to American manufacturers of the right to export munitions to belligerents would have far-reaching results reacting disastrously upon plans for national defense. It was significant that most of the testimony offered at the hearings was of entirely disinterested character, no representatives of manufacturers being included among the witnesses. Although the record has not thus far shown any expression of opinion from the Department of Commerce or the State Department it is stated that Secretary Kellogg and Secretary Hoover are both opposed to the purpose of the resolution."

Do you know anything about their position?

Mr. Casey. I have not the slightest knowledge.

Senator Pope. Mr. Simons did not talk to you about that?

Mr. Casey. No.

Senator Pope. Or tell you the basis for his information?

Mr. Casey. Senator, in this correspondence between Simons and me, and Simons and Comeaux, he was in reality acting in the capacity of a vice chairman of a committee appointed by Secretary Hoover in 1925, which had apparently not been discontinued.

Senator Pope. He was still an employee and representative of your company?

Mr. Casey. Oh, yes; but I mean he was in a double position at this particular point.

Senator Pope. Do you know of any action by the officials or anyone else in authority repudiating his activities in this respect?

Mr. Casey. No.

Senator Clark. The same committee reported opposition to small arms, but not military weapons?

Mr. Casey. I do not know, Senator. But still, that statement can be true. I think you would be irritated if somebody shot at you with a .25 automatic.

Senator Clark. It might be worse than irritating.

Mr. Casey. No; you would probably want to spank him.

Senator Clark. A .25 bullet with a soft-nosed bullet would blow a hole about as big as a silver dollar through a man, would it not?

Mr. Casey. If he were close enough.

Senator Pope (reading "Exhibit No. 1047"):

> The general impression is that sentiment among the House membership is against the resolution and that it stands little chance of receiving favorable consideration.

Do you know how he obtained that information?

Mr. Casey. It was in the bulletin of manufacturing chemists.

Senator Pope. Do you know the basis of their information?

Mr. Casey. I have not the slightest idea.

Senator Pope. The last paragraph is interesting, on that page.

> Please note the underlined sentence, which invites attention to the fact that the oppositions to these resolutions are disinterested which, of course, is the attitude most favorable to our cause.
>
> I am sending a copy of this to Mr. Comeaux and believe that he will give it such publicity in the institute as he may deem desirable.
>
> Sincerely,
>
> Aiken Simons.

Does not this look as though Mr. Simons was following up the matter and sending a copy to Mr. Comeaux, with the belief that he would give it publicity?

Mr. Casey. Not necessarily with the belief. Mr. Comeaux was secretary of the Institute of Manufacturers of Sporting Arms and Ammunition. Aiken Simons was the chairman of the national defense committee of that institute.

Senator Pope. Yes.

Mr. Casey. It was his job to keep the secretary advised of any development that might affect national defense.

Senator Pope. Apparently he did so.

Mr. Casey. Yes, sir; he should have done so.

Senator POPE. In the former hearing I will read two or three questions and answers here and ask you if you still think that this testimony is correct:[1]

Mr. CASEY. Have you a copy of Colonel Taylor's memorandum?

Senator CLARK. No; I have not; but that report shows it was in connection with this embargo resolution. What I am asking is, Did you instruct Simons to circulate the report among Government officials?

Mr. CASEY. I would not instruct him unless that report was of interest to the Government?

Senator CLARK. Did you instruct him in this case?

Mr. CASEY. In this case I do not know whether I instructed him or not.

Senator CLARK. That report was made to you.

Mr. CASEY. Yes; after the fact.

Senator CLARK. So that your statement a while ago that the du Pont Co. had nothing to do with the proposed legislation or the discussion of it with Government officials was not correct, was it?

Mr. CASEY. I said we made no attempt to influence legislation. Calling attention to the effect of the embargo in Europe struck me as being of interest to the officers of the Army and Navy. We had nothing to do with the matter whatever, but it was a question of advising them what effect this resolution might have in Europe, and that is a matter of military importance to the Army and Navy.

Senator BONE. It would be intensely interesting to the officers of the United States Army.

Mr. CASEY. Yes.

Senator BONE. And can you tell the committee whether it would also be interesting to the people in the United States to know the effect on world politics? Do you think it might not be equally interesting to the people in the country to have these facts?

Mr. CASEY. We would not be the proper ones to give that out.

Senator BONE. You gave it to the Army officers.

Mr. CASEY. Yes.

Senator BONE. Army officers are not the only people who suffer in case of war. The mothers and fathers of the boys who go in the war also pay the price.

Mr. CASEY. Yes.

Senator BONE. Would you suggest there is any lack of propriety in having them know what was going on?

Mr. CASEY. We were not the proper ones. The newspapers were covering these matters.

Senator BONE. The people pay the price and all the bills.

Mr. CASEY. Yes.

Senator BONE. Can you say that information of this kind should not go to the people of the country? Do you think these things should be kept from the people?

Mr. CASEY. They should not be.

With reference again to the responsibility of the company for the acts of their agents, I just wanted to read a paragraph or two of the former testimony.[2] Mr. Raushenbush asked this question of Mr. Lammot du Pont [reading]:

By the way, in this connection may I ask the president of the company this question: A great deal of testimony seems to have been going into the record from subordinate officials of the company. May we understand that those statements stand as the official attitude of the company unless corrected by you on the stand?

Mr. LAMMOT DU PONT. Certainly. The company is responsible for the acts of its men.

There is no reason to change that answer, is there, Mr. du Pont?

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[1] Hearings, Part V, pp. 1129, 1130.

[2] Hearings, Part V, p. 1159.

Mr. LAMMOT DU PONT. That does not sound as though it was a direct answer to the question.

Senator POPE. It was your answer.

Mr. LAMMOT DU PONT. I say it does not seem to answer the question.

Senator CLARK. It seems to be an answer.

Senator POPE. It seems to me a very clear answer. The company is responsible for the acts of its men.

Mr. LAMMOT DU PONT. For the acts of its men, and the question referred to the testimony.

Senator POPE. I will read it again:

> By the way, in this connection may I ask the president of the company this question: A great deal of testimony seems to have been going into the record from subordinate officials of the company—

Like Aiken Simons, I take it—

> May we understand that those statements stand as the official attitude of the company unless corrected by you on the stand?
>
> Mr. LAMMOT DU PONT. Certainly. The company is responsible for the acts of its men.

Mr. LAMMOT DU PONT. I do not think the company is responsible for the opinions or the statements of its men if those statements are opinions. Obviously the company is not responsible for an individual's opinion.

Senator POPE. As to the attitude of the company particularly on this matter of your activities with respect to legislation and your opinions with respect to embargoes, where they are not repudiated by the company, where you received reports, you would say that they do not represent the attitude of the company?

Mr. LAMMOT DU PONT. In some cases those statements have been differed with.

Senator POPE. Do you recall any statements that have been made by Mr. Aiken Simons here with reference to these matters we have been discussing that do not represent the attitude of the company?

Mr. LAMMOT DU PONT. Made by whom?

Senator POPE. Made by Mr. Aiken Simons or other officials here, such as Major Casey.

Mr. LAMMOT DU PONT. Yes. I think there have been a number of cases. I cannot recall any particular one now where different representatives of the company have differed in their opinions.

Dr. Sparre had a very pronounced difference of opinion the other day with Major Casey, I think, was it not?

Senator POPE. I have particular reference, though, to the expressions of opinion with reference to this legislation—this particular legislation in the way of embargo. Have there been any statements of the officials here, the subordinate officials or employees of the company, with which you disagree?

Mr. LAMMOT DU PONT. Certainly. There have been a number of them.

Senator POPE. What, for instance?

Mr. LAMMOT DU PONT. Oh, I do not recall any of them now. I have pointed out some of them at times, Senator.

Senator POPE. Let me in that connection call your attention to a memorandum by Mr. C. R. Mudge, director, under date of April 1, 1932, to Mr. A. Felix du Pont, smokeless-powder department.

(The memorandum referred to was marked "Exhibit No. 1048" and appears in full in the text.)

Senator POPE (reading):

> I am attaching for your information H. J. Res. 282 and report thereon. This joint resolution was introduced by Mr. Fish and it proposes a multilateral agreement renouncing the sale or export of arms, munitions, or implements of war to any foreign nations.

Then there is a pencil memorandum, signed "A. S.", evidently Mr. Aiken Simons [reading]:

> Called on General Hof, Chief of Ordnance, and Admiral Larimer of the Bureau of Ordnance on IV–6–32. Steps will be taken to secure consideration of the demerits of this Fish food.

Do you know what steps were taken there to present the demerits of the Fish food?

Mr. CASEY. We have not the slightest idea. This comes back to the same general statement we have made repeatedly—that we simply advise the different officers of the Army and Navy of what is going on, as it is their problem. We do that because if anything is apt to affect the relationship we bear to the principles of national defense as carried out by The Assistant Secretary of War, we believe we are in duty bound to notify the proper people that there is something that may affect that general plan.

Senator POPE. Yes; I know, you have stated that several times.

Mr. CASEY. We cannot help but repeat it every time, Senator.

Senator POPE. What I am interested in is what steps, do you know, were taken?

Mr. CASEY. We took no steps beyond this.

Senator POPE. Do you know whether Mr. Simons took any steps?

Mr. CASEY. But I say Simons took no steps after he spoke to Hof and Larimer.

Senator POPE. What do you suppose he meant, then, by saying, "Steps will be taken to secure consideration of the demerits of this Fish food"?

Mr. CASEY. He was speaking, perhaps, that Hof and Larimer would do that. We were not having to do anything with it.

Mr. LAMMOT DU PONT. Senator, that is just an illustration of the expression of an opinion on the part of Mr. Simons.

Senator POPE. It is a statement of something more than an expression of opinion.

Mr. LAMMOT DU PONT. It is a forecast.

Senator POPE. It is a statement that steps will be taken by somebody.

Mr. LAMMOT DU PONT. It is a forecast; it is a prophecy, a forecast. He says steps will be taken.

Senator POPE. Yes; but you do not know what steps were taken, if any?

Mr. LAMMOT DU PONT. I have not the faintest idea.

Mr. CASEY. Never heard anything more about it.

Senator POPE. Mr. Beebe is not here this morning, but he made a statement last night that the letters which are signed by him or addressed to him are authentic.

I want to call attention to a letter of January 9, 1933, addressed by Mr. Beebe to Mr. F. B. Nichols, vice president Colt's Patent Firearms Manufacturing Co., Hartford, Conn., and it reads as follows:

DEAR MR. NICHOLS: Confirming our conversation of today, we have sent the following telegram to the Secretary of the Navy, Secretary of War, and Secretary of Commerce, Washington, D.C.:

"Referring reported proposal of President to ask authorization of Congress to declare embargoes on shipments of arms to countries where hostilities exist or are threatened, we earnestly request your consideration of fact that it would not prevent these countries obtaining supplies elsewhere and would merely divert business needed by companies like ours on which our Nation depends in time of war."

(The letter referred to was marked "Exhibit No. 1049" and appears in full in the text.)

Senator POPE. That was written by Mr. Beebe. That, you think, is a very good argument to present to the Secretary of the Navy against any embargoes?

Mr. CASEY. I do not think we have any right to express an opinion on a letter written by Mr. Beebe, of the Winchester Co.

Senator POPE. But you agree with him in the argument he made?

Mr. CASEY. I agree with him when it is going to affect the national defense; yes.

Senator POPE. Yes.

I now refer to a letter of January 20, 1933, written by Roy D. Chapin, Secretary of Commerce, to the Winchester Repeating Arms Co., New Haven, Conn.

(The letter referred to was marked "Exhibit No. 1050" and appears in full in the text.)

Senator POPE (reading):

Acknowledgment of your telegram of January 9, regarding the control of the export of arms, was delayed until the situation here could have clarified somewhat.

As I understand your industry was advised by the Department of State, the interests of American manufacturers were carefully considered before the Secretary of State wrote his letter of January 6, which formed the basis of President Hoover's message to Congress of January 10 on this subject. While you have doubtless seen it in the press, I am enclosing copy of the Presidential message referred to, from which you will note that the limitation of the export of arms and munitions of war in certain eventualities, which is therein proposed, contemplates the securing of the cooperation of other nations. This procedure would abviate any discrimination against American interests.

Sincerely yours.

Do you know anything about the matter contained there with reference to the consideration given by the Secretary of State?

Mr. CASEY. I do not.

Senator POPE. I want to call attention to a telegram under date of February 10, 1933, delivered to W. R. A. Co., addressed Winchester.

(The telegram referred to was marked "Exhibit No. 1051" and appears in full in the text.)

Senator POPE (reading):

Committee will hear you Tuesday, February 14, 10 o'clock morning. Wire me immediately name of persons appearing, title, and corporation they will represent.

E. W. GOSS.

Mr. Goss at that time was a Member of Congress?

Mr. CASEY. I believe so.

Senator POPE (reading):

NOTE: Responsibility for action on this telegram rests upon the person receiving this original copy.

Deliver to H. F. Beebe. Department export.

Did you attend the hearing?

Mr. Casey. No.

Senator Pope. Or did any representative of your company attend the hearing?

Mr. Casey. The only hearing I ever attended was the one of April 1, 1925, called by Hoover.

Senator Pope. That was when he was Secretary of Commerce?

Mr. Casey. Yes. That was the only hearing I ever attended.

Senator Pope. I call your attention to a letter written by Mr. Beebe, to the Western Cartridge Co., dated February 16, 1933.

(The letter referred to was marked "Exhibit No. 1052" and is included in the appendix on p. 2843.)

Senator Pope (reading):

(Attention Mr. J. M. Olin.)

Subject: House bill giving power to the President to embargo shipments of arms and ammunition.

Dear Mr. Olin: As you are doubtless aware, when a bill on this subject was previously passed, Senator Bingham succeeded in having it recalled, and has since been able to have it held up.

The bill was then introduced into the House and we immediately made an effort to have action postponed in order to have an opportunity to enter objections.

Senator Clark. Who wrote that letter?

Senator Pope. That was written by Mr. Beebe.

In the beginning it looked as if it was probable that an effort would be made to rush the bill through, and in order to bring all the pressure we could to bear to have the action deferred I wired you on February 9 as follows:

"Informed probability bill being introduced House regarding arms embargo and regulations exports. Have wired Congressman Goss to endeavor have action deferred to give those interested opportunity to be heard. Colt and Remington working. Suggest you wire your Congressman."

I discussed this matter with Mr. Birney and with Mr. Pugsley.

Who are they, Major Casey?

Mr. Casey. That was after Western had bought Winchester, so I think Mr. Birney was then back with Winchester. Mr. Pugsley was likewise Winchester.

Senator Pope. Representatives of the Winchester Co.?

Mr. Casey. Yes.

Senator Pope (reading):

It was decided, due to the fact that I previously worked on similar proposals that I had best go to Washington and appear before the committee.

Saturday afternoon I found that you had telephoned to Mr. Pugsley, instructing him to attend, and upon telephoning him that I would be glad to turn all the information over to him, he stated that he had already wired you that he thought it best for me to go.

From the best information we could get, both before and after reaching Washington, it appeared that the committee was overwhelmingly in favor of the resolution and that our efforts had best be directed: (1) Against giving too much power to the President, (2) that it should include all countries that manufactured munitions, and (3) that it specify more definitely what was intended by arms and munitions.

I reviewed some of the material used at the time I went to Washington in connection with the Geneva Conference and then drew up the attached statement which was fully concurred in by a Remington and Colt representative. This statement I made at the committee hearing and answered a few questions.

Mr. Stone, president of the Colt Co., stressed the importance of industry in time of war and Mr. Monaghan of the Remington Co. enlarged on the fact that the possibilities of embargo would increase the building of munition plants in foreign countries.

I saw in the morning paper that the bill had been reported out favorably, with the slight change which limited its application to North and South America. I know that when it reaches the Senate, Senator Bingham will fight it tooth and nail, and I think a few friends in the House, like Senator Goss—

He means Representative Goss—

will do what they can."

Did you have any contacts with Senator Bingham with respect to these embargo resolutions?

Mr. Casey. I have never met Senator Bingham.

Senator Pope. Do you know Representative Goss?

Mr. Casey. I met him years ago during the war, and as one of the officials of the Scoville Manufacturing Co. We were selling them black fuse powder that they used in the making of combination fuses.

Senator Pope. So Representative Goss was an official of the Scoville Co.?

Mr. Casey. He was at the time I speak of, during the war. I do not know whether he is still an official of theirs or not.

Senator Pope. What business is the Scoville Co. engaged in?

Mr. Casey. Manufacture of all sorts of brass goods.

Senator Pope. Do you know whether Senator Bingham had any connection with any munitions organization?

Mr. Casey. I have not the slightest idea.

Senator Pope. A statement made in a recent publication says:

"The Honorable Edward W. Goss, Representative in Congress from Connecticut, members of the Committee on Military Affairs, and formerly of the Scoville Manufacturing Co., makers of war supplies in war time, insisted America must sell munitions in order to be properly prepared.

"In other words", said Mr. Hull—

a Representative at the time—

"you have got to foment war abroad in order to keep in practice."

"No, sir," replied the Honorable Mr. Goss, whose family is still with the Scoville Co.

You do not know whether he is still with the Scoville Co. or not?

Mr. Casey. No; but the Goss family—the Scoville Co. was started in 1802, and I do not know when the Goss family got control, but I think at the time I speak of during the war there were about 7 brothers—6 or 7 or something like that.

Senator Pope. I read this statement with reference to Senator Bingham at that time, as to his position at that time, as follows:

In 1929 a public statement was made that the position of Senator Bingham of Connecticut, "As head of the National Aeronautic Association, was manipulated by interests profiting largely from Government aircraft contracts. A gigantic air trust and its lobby have worked for the passage of legislation that diverted millions of the Government's money to the pockets of the trust."

There was no denial or repudiation of this statement.

Do you know whether Senator Bingham was at the time referred to head of the National Aeronautic Association?

Mr. Casey. I haven't the slightest idea.

Senator Clark. I understand he has been devoting his time exclusively to that, since he went out of the Senate.

Mr. CASEY. I know nothing about it.

Senator POPE. You know nothing about that?

Mr. CASEY. No.

Senator POPE (continuing):

> If you have any instructions in regard to what steps should be taken, please inform me. If I do not hear from you to the contrary, I will continue to keep in touch with the other manufacturers and do what appears to be necessary or advisable.

That is signed H. F. Beebe.

Mr. CASEY. Senator Pope, at the time a lot of this discussion was going on—I don't know whether it was at this hearing held by Mr Hoover or not—but when I had listened to the position taken by certain other manufacturers, I either made this statement in a letter or made it at that hearing: I said, "The position of the du Pont Co. is slightly different. We are in the business at the request of the Army and Navy, and it is their fight, not ours."

Mr. LAMMOT DU PONT. Senator, might I ask what you are reading from when you refer to this Aeronautic Association?

Senator POPE. I am reading from a recent book by George Seldes, which is for general distribution.

Mr. LAMMOT DU PONT. What is the book?

Senator POPE. "Iron, Blood and Profits," by George Seldes.

Mr. IRÉNÉE DU PONT. Is it a fair statement to ask whether you concur in all of the statements in that book?

Senator POPE. I concur in some of them, as far as my information goes.

Senator CLARK. I will say it is very well documented as to questions of fact.

Mr. IRÉNÉE DU PONT. I just wondered how authentic it was. I would like to read it, if you concur in it.

Senator POPE. I will be very glad to let you have it, if you want to read it.

Mr. IRÉNÉE DU PONT. Don't give it to me. I don't want to accept any bribes. I did not mean that disparagingly. I just made the suggestion.

Senator POPE. I will make you a Christmas present of it.

Senator CLARK. A little Chinese custom.

Mr. CASEY. Senator, I say wait until New Year's.

Senator POPE. New Year's?

Mr. CASEY. That sounds better.

Senator POPE. Mr. du Pont, I call your attention to a statement you made recently or an excerpt from a statement made by you. It has no date on it. It is a general statement, which I will ask to have marked for reference as an exhibit.

(The excerpt referred to was marked "Exhibit No. 1053", and appears in full in the text.)

Senator POPE. This reads:

EXCERPT FROM THE DU PONT CO. AND MUNITIONS PUBLISHED BY E. I. DU PONT DE NEMOURS & CO., WILMINGTON, DEL.

I. CHARGE OF OPPOSING PEACE; OF FOMENTING WAR

For this charge, we believe the most exhaustive examination of the facts will show that there is no real foundation whatever in the activities or policies of your company. The du Pont Co. employs no munitions lobbyists, at home or abroad, and has no part in any such employment. It makes no effort to mold public sentiment to its own ends—unless this sort of straightforward communication to persons entitled to know the facts must bear the reproach of some such accusation. It makes, and has made, no contributions, financial or otherwise, to any organized effort to oppose disarmament or to promote any supposed common interest of the manufacturers of munitions.

In the light of the activities of Mr. Simons which appeared in this testimony the last day or two, and before, where he made the suggestion that this committee which was formed in 1925 and was active there in opposition, in connection with the Geneva Disarmament Conference——

Mr. Lammot du Pont. What conference was that, you say?

Senator Pope. The Geneva Conference in 1925.

Mr. Lammot du Pont. What did you call it?

Senator Pone. The Geneva Disarmament Conference or Conference for the Control of the Traffic.

Mr. Lammot du Pont. I did not think that conference was called for the purpose of disarmament.

Senator Pope. Very well; then Control of Traffic in Arms. In view of the frequent calls that were made of Mr. Simons and by Major Casey and the other activities that are shown here, do you think that is a fair statement?

Mr. Lammot du Pont. I do.

Senator Pope. You do?

Mr. Lammot du Pont. Yes.

Mr. Casey. Senator, I don't think we went far enough, in fact.

Senator Pope. You did not make this statement strong enough?

Mr. Casey. That is, at least as far as the military sales were concerned. You may remember I have said in making these different statements about any legislative matters, I was only speaking for smokeless powder. I do not know, nor have I any responsibility for what other departments of the company may do.

Mr. Lammot du Pont. If I may amplify that statement, Senator, I think that what you have referred to as activities are simply the efforts on the part of our representative to bring the facts before the proper people.

Senator Pope. Do you regard that effort as limited in that way, when your Mr. Simons suggested that they get this whole committee active again, and following that suggestion the matter was presented to the Secretary of Commerce?

Mr. Lammot du Pont. Who was one of those proper authorities?

Senator Pope. Yes. With the request that he call that committee together, for the purpose of opposing this legislation; that that is merely a disinterested act of calling it to their attention?

Mr. Lammot du Pont. I think the suggestion was to call that committee together to get the cross-sectional views on the subject. That was what that committee was called for originally, to get the views of the manufacturers. It was another case where the views of the manufacturers should be put before the proper authorities.

Senator Pope. Is it not the fact of the matter that you or your representatives were using such arguments, constantly referring to the national defense, but using such arguments as would convince the officials of the War and Navy Departments that it was in the interests of national defense, from the policy they announced, to oppose all of these proposed measures providing for embargoes?

Mr. Lammot du Pont. I saw nothing to indicate that they opposed all measures. They simply were putting before the proper authorities the facts as they saw them, and the opinions that they held.

Senator Pope. The investigation that we have given the matter here shows every resolution opposing embargoes—and I have seen the most of them and have the most of them before me on the desk here—that that has been the subject of opposition in the form that has been indicated here, on the part of particularly your Mr. Aiken Simons and representatives of other companies.

Mr. Lammot du Pont. You will recall that the recommendations of the manufacturers in the case of the Geneva Conference were confined entirely to proposals to differentiate between sporting arms and ammunition and military arms and ammunition, except that they referred to the matter of publicity.

Senator Pope. I think that is not a correct statement. I think it is very much broader than that, according to the testimony given here, and certainly the effect of the recommendations of the committee went further than merely working out a reasonable line of demarcation between sporting arms and war arms.

Mr. Lammot du Pont. It went further in that it went into the matter of publicity.

Senator, this was discussed yesterday, and I looked up the recommendations of that committee and read them, and I find nothing in there except those two points.

Mr. Raushenbush. Mr. Chairman, the whole discussion, the minutes of the discussion of that meeting were put into the record, so that the attitude of the representatives of the companies there might be fully and freely described, and the whole question of licensing seems to have absorbed a great deal of the attention of that meeting, and, as that exhibit will show, certain attitudes were taken by the Government's members there as the result of the discussion on that matter of licensing.

Mr. Lammot du Pont. I insist, Senator, however, that it seems to me you are incorrect when you say that the manufacturers opposed all of these matters that were brought up.

Senator Pope. Do you recall any proposed legislation for embargoes which was not the subject of opposition on the part of at least some of the manufacturers of munitions?

Mr. Lammot du Pont. No, sir; I cannot say that I recall any legislation that was not a matter of consideration.

Mr. Casey. I do not know, of course, what other companies may have done. We can only speak for ourselves. I again want to repeat, because we were part, and a rather important part, according to the Army and Navy, of their entire plan for industrial mobilization, we were in duty bound every time we saw an indication, either here or abroad, that might affect the munitions policy of the United States, to draw it to the attention of the people who said they wanted us to be a part of that picture.

Now, that is a fair statement and true statement.

QUESTION OF INTERNATIONAL DISARMAMENT IN 1922 AND ITS RELATION TO THE CHEMICAL INDUSTRY

The CHAIRMAN. Mr. Raushenbush, what witnesses do you want now?

Mr. RAUSHENBUSH. Mr. Weston and Mr. Irénée du Pont.

The CHAIRMAN. Mr. Weston and Mr. Irénée du Pont.

Mr. LAMMOT DU PONT. Mr. Chairman, I am sorry to say that Mr. Weston cannot appear at this hearing and probably subsequent hearings, because he met with an accident on Sunday and broke his arm. I have here a doctor's certificate to that effect, if the secretary wants to see it.

Mr. IRÉNÉE DU PONT. He did not have heart failure?

Mr. LAMMOT DU PONT. No; he did not have heart trouble.

The CHAIRMAN. He did not have heart trouble?

Mr. CASEY. No. The worst thing was he was going to church.

Mr. RAUSHENBUSH. Mr. du Pont, is there anyone here who can stand examination on the matters he was actively engaged in, which we started examination on last Thursday?

Mr. LAMMOT DU PONT. I do not think there is any individual present who can answer all of the questions that Mr. Weston would be able to answer himself, but I think if we hear the questions there may be somebody present who can answer any specific one. For instance, the question that was asked Mr. Weston when he was on the stand before as to who the members of the American Dye Institute were, I have a memorandum here that gives that.

Mr. RAUSHENBUSH. We will be glad to accept that. The question was a little more direct. It was, what people representing the chemical industries were active in Washington at the time, and Mr. Weston replied that that would involve the whole list of the dyes industry. We hoped to question him further about those papers. May we have that and mark that an exhibit?

(The information about the American Dyes Institute referred to was marked "Exhibit No. 1054" and is included in the appendix on p. 2844.)

Mr. RAUSHENBUSH. We will also file the doctor's certificate as "Exhibit No. 1055."

(The doctor's certficate referred to was marked "Exhibit No. 1055" and is included in the appendix on p. 2846.)

Mr. RAUSHENBUSH. Mr. Irénée du Pont, you were president of the company from 1919 on, is that it?

Mr. IRÉNÉE DU PONT. I was president of the E. I. du Pont de Nemours Co. from 1919 to 1926.

Mr. RAUSHENBUSH. From 1919 to 1926?

Mr. IRÉNÉE DU PONT. That is right.

Mr. RAUSHENBUSH. Did Mr. Weston work in Washington and abroad under your orders or under the orders of someone else?

Mr. IRÉNÉE DU PONT. I think there might have been an intermediary between him and me, but I was at the time reasonably familiar with his activities.

Mr. RAUSHENBUSH. Can you name the man who functioned as intermediary?

Mr. IRÉNÉE DU PONT. I am not perfectly sure, but I think it was Mr. R. R. M. Carpenter, who was his nominal boss. I think Mr. Carpenter employed him originally, as I recall.

Mr. RAUSHENBUSH. What was Mr. R. R. M. Carpenter's function in the company at the time?

Mr. IRÉNÉE DU PONT. A good deal of his time was spent on matters of personnel and organization. He had rather a flair for that. Before that time he had been head of the development department. He was also a member of the executive committee. He took a considerable interest in a number of the activities of the company, most all in the industrial line. I do not think he ever had anything to do with the military line. In this dye situation, to which you doubtless refer, he was active to this extent, that he had an office next to mine and kept me posted on any gossip he heard or any facts that came to his attention. But he had no first-hand activity in it, as far as I know. I was the man that was on that job.

Mr. RAUSHENBUSH. Did Mr. R. R. M. Carpenter function in the Washington field at that time?

Mr. IRÉNÉE DU PONT. He may have been down here off and on but he was not active in it. He was not active in the sense that I was active in it.

Mr. RAUSHENBUSH. In your absence, Mr. Irénée du Pont, while you were excused last Thursday afternoon, we introduced some exhibits relating to the activities of Mr. Weston, which I would like to refer to again, for your information. I refer to "Exhibit No. 931",[1] a letter of September 22, 1921, from Mr. Weston to Mr. Whaley [reading]:

> MY DEAR WHALEY: You know, of course, that the chemical industry will figure very largely in the coming Disarmament Conference. The Chemical Warfare Service will, of course, be consulted. It may interest you, as piece of news, to learn that the chemical industry as a whole will be represented through advisers to be appointed to help the American delegation solve its problems. The names of several distinguished chemists are now under consideration at the White House and announcement of the appointment of representatives of the chemical industry probably will be made very soon.
>
> For your private information, the President has received favorably the suggestion that Dr. Charles H. Herty and Dr. Edgar Fahs Smith, former provost of the University of Pennsylvania and president of the American Chemical Society, be named as advisers.

This was on September 22. Do you know when the list of advisers to the Disarmament Conference was finally made public at Washington?

Mr. IRÉNÉE DU PONT. No.

Mr. RAUSHENBUSH. I have looked that up and find that it was released by the Department of State on November 1. So this was about 38 days before, that your publicity man was informing Mr. Whaley that these two men had been recommended to the President by the industry. Do you recall which one of those men was finally chosen?

Mr. IRÉNÉE DU PONT. I do not.

Mr. RAUSHENBUSH. It is a matter of common knowledge that it was Dr. Smith who was chosen to be on the technical staff in regard to chemical warfare.

In that connection I call your attention to an exhibit entered on Thursday, marked "No. 925", and written by Eysten Berg, who was identified as one of your representatives abroad, from Paris, dated

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[1] Hearings, Part XI, p. 2420.

February 3, 1920, to the du Pont Co.[1] In the course of that letter, on the second page, he refers to Dr. Herty in the following language [reading]:

> As well Duisberg—

Duisberg was head of one of the German chemical companies, was he not?

Mr. Irénée du Pont. He was active in charge of one of the German chemical companies, I believe.

Mr. Raushenbush (reading):

> As well Duisberg as Bosch—

he was active in another chemical company over in Germany, wasn't he?

Mr. Irénée du Pont. I don't know whether it was another or the same one?

Mr. Raushenbush. Or the same one?

Mr. Irénée du Pont. Yes.

Mr. Raushenbush (continuing):

> both of whom I had out to dinner the other day, were furious on Dr. Herty and Dr. Bosch declared that he would at once break off all negotiations with us if we have anything to do with the difficulties raised against the Germans dyes in America.

In a paragraph further down Mr. Berg goes on [reading]:

> The whole discontent is due to the fact that the Germans have been of the opinion that Dr. Herty belongs to our company, and that all measurements taken in America against the German dye interests originate from us.

That seems to indicate that the Germans at least made the mistake of identifying Dr. Herty for your company representative; doesn't it?

Mr. Irénée du Pont. I don't know whether it does or not. That is what they apparently said they though.

Mr. Lammot du Pont. It seems they made that mistake.

Mr. Raushenbush. It seems they made that mistake or had that impression.

Mr. Lammot du Pont. I think Dr. Herty never was employed by the du Pont Co.

Mr. Raushenbush. No; the point of the letter seems to be that he was active in Europe to the extent that at least the Germans thought that he did belong to the company.

Mr. Lammot du Pont. They made that mistake then.

Mr. Raushenbush. Then another exhibit was introduced, labeled "No. 932", dated November 9, 1921, which is a letter from the Whaley-Eaton Service to Mr. Frank Byrne of your company, who is identified as assistant to Mr. Weston.[2] The first paragraph reads:

> Referring to your telephone inquiry in regard to the members of the French delegation experts on chemical disarmament.

The last paragraph reads:

> We think it very unlikely that we will be able to get any of the details of the plan for chemical disarmament from these gentlemen, but we will do our best.

There seems definitely from that letter to be an indication that the company was interested in finding out in advance of the conference the ideas of the French delegation on chemical disarmament; isn't that correct?

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[1] Hearings, Part XI, p. 2415.
[2] Hearings, Part XI, p. 2420.

Mr. IRÉNÉE DU PONT. A reasonable inference.

Mr. RAUSHENBUSH. A reasonable inference?

Mr. IRÉNÉE DU PONT. Yes.

Mr. RAUSHENBUSH. I refer again, for your information, to an exhibit that was introduced on Thursday, labeled "No. 933", dated November 25, 1921, being a memorandum from Mr. Weston, the head of your publicity department, to Mr. Poucher.[1] Mr. Poucher was identified as a vice president of the company at that time. Is that correct?

Mr. IRÉNÉE DU PONT. Mr. Poucher was employed by the company at that time, I think, but I do not recall that he was a vice president.

Mr. RAUSHENBUSH. Well, he was an employee of the company who had traveled for you in Europe.

Mr. IRÉNÉE DU PONT. Yes.

Mr. RAUSHENBUSH. The memorandum begins [reading]:

> I am informed through the Washington "grapevine" that the British delegation to the Limitation of Armaments Conference has a plan to submit concerning the chemical industry which embodies these points:
>
> First, to outlaw the use of poison gas in warfare and to outlaw as far as possible anything of a dangerous chemical nature;
>
> Second, failing to secure drastic action (as they expect to fail) to limit the use of chemicals as much as possible;
>
> Third, to put the chemical industries of the various nations under the control of the governments.

Mr. du Pont, Mr. Weston did not feel able to answer some of the questions asked him about this, and I wonder whether you would feel free to do so. This letter would certainly seem to indicate an interest in what the British delegation had to offer on the subject of chemical warfare, would it not?

Mr. IRÉNÉE DU PONT. Now you are going too fast for me. I never saw this letter that I recall before. Is this a whole letter or is it an excerpt? It is not signed.

Mr. RAUSHENBUSH. We have it signed with initials here, and that seems to be the whole memorandum.

Mr. IRÉNÉE DU PONT. C. K. W. It looks like Weston.

Mr. RAUSHENBUSH. It is a memorandum.

Mr. IRÉNÉE DU PONT. Oh, yes; from Weston, yes. What about it?

Mr. RAUSHENBUSH. I asked whether it was not a reasonable inference that there was considerable interest in the ideas of this British delegation before the Conference.

Mr. IRÉNÉE DU PONT. This seems to be a rumor. As I understand the "grapevine" means rumors coming through all sorts of channels.

Senator CLARK. Who was the Washington grapevine, Mr. du Pont?

Mr. IRÉNÉE DU PONT. I could not tell you what the Washington grapevine is. I thought it was simply a wandering source of rumors in regard to something. I don't know what your grapevine is. The only kind we have is the kind that we get grapes off of?

Mr. LAMMOT DU PONT. I think Mr. Weston testified what was meant by that expression. He said it was the aggregate of the representatives of the chemical manufacturing concerns who were frequently in Washington at that time, and when asked who those men were he said he did not recall but would get a list, and I just handed your secretary the list.

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[1] Hearings, Part XI, p. 2421.

Mr. IRÉNÉE DU PONT. I notice that this other letter is concerned with Whaley-Eaton. That is a news bureau that tried to get information ahead of time and possibly had information that they used to try to get ahead of time. I think the boys from the press here always like to get a little advance information. But the point I make is that this is a rumor. Whether it is true or not, I do not know. I never saw anything authentic about it.

Mr. RAUSHENBUSH. Did you or anyone in your company receive any direct information from the Nobel Co. or other British chemical interests as to the plans of the British delegation in advance?

Mr. IRÉNÉE DU PONT. I do not recall it at this time.

Mr. RAUSHENBUSH. According to those first, second, and third items listed there with some apparent definiteness, the British delegation seemed to have a direct idea of the importance of limiting the chemical industry; isn't that a reasonable inference?

Mr. IRÉNÉE DU PONT. On the face of that, Mr. Secretary, the wording of this is evidently not very accurate. The first part anybody could understand, to outlaw the use of poison gas. I believe that was, however, outlawed before the start of the World War and Germany did not have any compunctions about using it, showing that outlawing does not always have the hoped for effect. But the balance of it, "To outlaw as far as possible anything of a dangerous chemical nature", strictly speaking, and I think generally speaking, dynamite is a dangerous commodity, so construed by the Interstate Commerce Commission. That would outlaw dynamite, and I suppose by the same inference blasting caps and everything of that kind would have to be outlawed. Evidently that is the intent of this thing, according to what the words say.

Mr. RAUSHENBUSH. Without spending too much time upon that question of the nice distinctions of what is chemical and what is not, which would take far too much paper and ink than would be proper in a brief summary of it, you stated that you did not hear from the English chemical interests as to why the British delegation is reported as expecting to fail.

Mr. IRÉNÉE DU PONT. I did not say that, sir. I say, I have no recollection of it. I may have at the time, but I have completely forgotten it if I did. We were having a fight right here on our dye industry.

Mr. RAUSHENBUSH. There are only a few more exhibits to which I want to refer, which have already been entered, but to get the story started again so that we can get the present explanations from you, I wish to refer again to an exhibit numbered "No. 909", being a letter from Mr. Weston to Mr. Charles A. Meade, vice president of the company, dated London, December 10, 1920.[1] It begins [reading]:

> DEAR MR. MEADE: My mission seems to be going fairly well; I have met a number of our American newspaper correspondents and have, I think, succeeded in selling them our idea. One cannot tell, of course, until the results begin to appear in American newspapers.
>
> I am sending you clipping giving details of the debate in the House of Commons, along with other matter which I think is interesting.

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[1] Hearings, Part XI, p. 2397.

I skip a paragraph. [Reading:]

> I believe that the great strong point to be brought out by our friends in the United States Senate is that with Japan, France, and England all protecting their dye industries, the United States is left as the only hope for the Germans. They will, without doubt, concentrate over there and give us a particularly hard fight.

I skip to the first paragraph on the second page [reading]:

> I shall remain here next week to see this bill through and to continue my efforts to stoke up the interest of those whom I came to see.
>
> The correspondents in Paris report to the offices here, so it is apparent that if the men in London get the right angle it will be wonderfully helpful.
>
> In Paris I shall devote my energy very largely to bringing the correspondents in contact more closely with the American sources of news, at the same time trying to give them the proper angle so that they will appreciate the importance of the news.

Was Mr. Weston in London on your orders, Mr. du Pont?

Mr. IRÉNÉE DU PONT. He was certainly there with my assent.

Mr. RAUSHENBUSH. Would it have been Mr. Carpenter who ordered him over there, if it were not directly under your orders, or would it have been Mr. Meade?

Mr. IRÉNÉE DU PONT. I do not know. He might have gone at the instigation of one or the other, but I was a party to it.

Mr. RAUSHENBUSH. In a letter entered as "Exhibit No. 927",[1] a memorandum from Mr. Poucher to the publicity department, the results of Mr. Weston's work seem to be indicated, and I want to call your attention particularly to their character. [Reading:]

> I received a letter today from Mr. Weston, from London, dated December 17, together with some clippings from the London papers of various dates between December 3 and 17. I think we are beginning to see some results, for example: The article in the Boston Transcript issued December 31, page 6, under this heading:
>
> "BRITAIN FORESEES 'GAS' WAR
>
> "New legislation will shut out dyestuffs and enable plants to be built which can be converted into poison-gas factories."

Those seem to be the headlines. The article is quoted further under the heading of "London, December 31." [Reading:]

> That poison gas will be the supreme weapon in the next war is accepted by the Government. This is the inference drawn from the passage of the dyestuffs import regulations act, which prohibits the importation of dyestuffs for the next 10 years. During this period England will be enabled to build up her dye industry to a point of absolute dependence from the outside world.
>
> Dye plants, by a slight change, can be readily converted into war plants for the manufacture of poison gas. When the World War began in 1914, England had very few dye works, but Germany was full of them. Hence, the British had to build the factories for the making of poison gas, while the Teutons had everything ready. The conversion of the numerous dye plants into gas plants was, practically speaking, the work of only a few hours.

Mr. Poucher apparently goes on [reading]:

> I notice that this heading follows very closely the one in the London Evening Standard of December 7,—giving some more headlines: "Poison Gas and the Next War", "Nations Experimenting Already", "British Position", "Gases in Warfare", "Value of a Highly Developed Chemical Industry."

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[1] Hearings, Part XI, p. 2416.

That is the end of his quotation. He says:

> This is the right line and it must be pushed hard on this side. I suggest that you look out for any statements or reports from General Fries. They will, of course, be quite in line with the foregoing.

Mr. du Pont, did you read Mr. Weston's testimony on Thursday?

Mr. Irénée du Pont. I did, but I did not have the exhibits, and it made a little bit of a ragtime to me, because I could not follow what they were talking about. Maybe it was ragtime anyhow. Is that what you mean?

Mr. Raushenbush. I felt that the questioning had been too fast.

Mr. Irénée du Pont. In jumping from one day to another, the topics were entirely different. For instance, the fixation of nitrogen, fixed nitrogen never having been manufactured in this country before that time.

Mr. Raushenbush. I was going to state that the questioning was apparently too fast and the report on Thursday is very hard for anyone to read.

In further connection along the line of the activities of Mr. Weston over there for our interest, because of these articles coming over here, about "Britain Foresees 'Gas' War" and the like, there is a further memorandum from him entered as "Exhibit No. 928", dated January 15, 1921, to Mr. Weston from his assistant.[1] [Reading:]

> Recently there have appeared a number of dispatches in the American papers along the lines that are very desirable to us. These look to me as if they have been cabled to this country as a result of your visit to the other side.
>
> (1) The Boston Transcript of December 31, 1920, carried a fine story on "Britain foresees gas warfare", dated from London.
>
> (2) The Washington Herald had a cable dispatch written by Wythe Williams from Paris about German dye plots against the United States. This was taken up by the Manufacturers' Record and made the subject of a splendid full-page editorial.
>
> (3) The Evening Bulletin had a dispatch from London talking about the importance of the British action passing the dye bill and its relation to American affairs.
>
> (4) The Public Ledger of January 8, 1921, had a dispatch from Paris about "Germany Sets Dye Trade Trap."
>
> These dispatches, of course, are syndicated in many cases to appear in different places throughout the country, so that the publicity on these four items I mentioned must have been very considerable.

Now, Mr. du Pont, do you remember whether Mr. Weston was also in France at the time? I believe we had an exhibit to the effect that he was. Do you remember that?

Mr. Irénée du Pont. That is pretty difficult——

Mr. Raushenbush. Do you happen to remember about his French visit? That is the question I am raising.

Mr. Irénée du Pont. No; I do not. That was a separate one from the one to England?

Mr. Raushenbush. We went from London to Paris, according to the exhibits.

Mr. Irénée du Pont. I would not be at all surprised.

Mr. Raushenbush. And the testimony indicated, and we had the story of his educating newspaper correspondents in Paris, and somewhat similar stories coming from abroad.

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[1] Hearings, Part XI, p. 2417.

The question I want to ask here is: was Mr. Weston in England watching the debate in the Commons and sending, or hoping to send, those stories over here, and keep interest " stoked up ", to use his phrase? Was he over there in the interest of American defense?

Mr. Irénée du Pont. I think he was; yes, sir.

Mr. Raushenbush. Was he there at all in the interest of British defense?

Mr. Irénée du Pont. Not that I know of. I cannot see what our interest would be in the British defense, although they had been allies until very recently. There is no question that the organic chemical industry and its relation to preparedness in modern warfare was very little appreciated in this country up until 1919, when these first hearings came before Congress. It was felt, and I concurred in that feeling, that people must be brought to the realization of what the potential results of the chemical industry can be, not only in warfare but in peace.

I think that the whole theory of a closely knit chemical industry was beyond any question, but very few people knew anything about it in this country. I will undertake to say you people here have not the least apprehension of what the chemical industry has in store for humanity, and what it has already accomplished. I am sure on that. I had an education in chemistry, and as early as 1905 I went to Mr. T. C. du Pont, the president of the company, and told him my dream, that we ought to concentrate on the chemical industry, and the way to do it was to get every chemical industry in the United States together and make progress in that way. He thought it was a good idea, but about that time the Government brought a suit against us for being a trust, so that it was impossible to do it, and the matter was dropped. But I have been intensely interested in it all my life.

Mr. Raushenbush. These headlines, for which some credit is taken, in the British papers, and which Mr. Poucher describes as being along the right line, and should be pushed on this side, such as:

> Britain Foresees " Gas " War, New Legislation Will Shut Out Dyestuffs and Enable Plants to Be Built Which Can Be Converted into Poison-Gas Factories—

To what extent would your answer about chemistry being your dream bear on the results of your agent's work?

Mr. Irénée du Pont. As my dream of 1905 did not have any results, I never heard of it, and I doubt if anyone else had.

Senator Clark. It is more of a nightmare than a dream, is it not?

Mr. Irénée du Pont. I think it is, but what are you going to do about it? The Germans started out with a waive of chlorine which was so effective against the British that if they had had more, they could have wiped off the armies of the continent, but they did not know how much was needed. People think that one airplane can go over New York and drop gas and put the city out of business, but it would take a great deal.

Mr. Raushenbush. How much would they need?

Mr. Irénée du Pont. I do not know, but I know one airplane will not drop enough poison gas to affect everybody in town. That is exaggerated. It has very great power, and if you have a sufficient fleet of airplanes with poison gas and incendiary bombs, there is no doubt but that the population will be in a very bad way.

Senator CLARK. I read somewhere that an eminent physicist said it would take 100 airplanes over Paris to blanket Paris with a blanket of poison gas 100 feet thick.

Mr. IRÉNÉE DU PONT. It would have to be pretty dilute. A blanket of gas 100 feet thick over Paris would be an awful lot of gas.

Senator CLARK. I cannot pronounce his name, but it was a very interesting article.

Mr. IRÉNÉE DU PONT. The answer is, nobody knows the answer to it, but we do know it is enough to be serious.

Mr. LAMMOT DU PONT. If you want to get into this kind of questioning, I think you ought to permit one of our practical chemists to testify on the practical end of chemistry which we are discussing.

Mr. RAUSHENBUSH. The original question was whether your agent, stimulating interest in newspaper headlines of this character, which came over to this country in various forms, and also in France, was over there in the interest of our national defense or British national defense.

Mr. IRÉNÉE DU PONT. He was over there, I think, entirely in our interest. He had no interest, particularly, in the British national defense, except that they had been allies.

Mr. RAUSHENBUSH. When he went to France and did the same thing, he was not there in the interest of the French national defense?

Mr. IRÉNÉE DU PONT. I am quite sure he was not. I never heard of it.

Mr. RAUSHENBUSH. He was there in the interest of American national defense?

Mr. IRÉNÉE DU PONT. The du Pont Co. We were paying him.

Mr. RAUSHENBUSH. Let me ask you whether he was not interested in having England and France protect their chemical industries, their own chemical industries.

Mr. IRÉNÉE DU PONT. Was he interested?

Mr. RAUSHENBUSH. Was he not interested?

Mr. IRÉNÉE DU PONT. I did not know it. I did not read that there.

Mr. GARVAN. Mr. Chairman, I do not want to interrupt, but I also do not want to sit quiet and have the inference remain that I did keep quiet. Mr. Weston went to Europe at my request and under my direction.

The CHAIRMAN. What is your name?

Mr. GARVAN. Francis P. Garvan. At that time I was Alien Property Custodian, if it is after March 4, 1919, from March 4, 1919 to 1921 I was Alien Property Custodian. Mr. Weston's activity I am ready to explain at any time. I did not want to have the wrong inference drawn by sitting quiet.

Mr. RAUSHENBUSH. We will pass that up now.

Mr. IRÉNÉE DU PONT. I did not send Mr. Weston myself, but I certainly assented to it. I had forgotten that Mr. Garvan used his influence to get Mr. Weston on that. I had forgotten that entirely. I have no doubt he is quite correct.

Mr. RAUSHENBUSH. Did the company pay Mr. Weston's expenses while he was there?

Mr. IRÉNÉE DU PONT. I presume so.

Mr. RAUSHENBUSH. What Mr. Weston seems to be interested in watching and getting articles out about, Mr. du Pont, is the apparent protection for their chemical industries which England and France were at that time considering, and my question was, therefore, whether he was interested in the British national defense or the American. You answered, Not in the British, and also Not in the French.

Mr. IRÉNÉE DU PONT. I think indirectly that if Great Britain took steps to do this sort of thing, it would be a very good lead for America to follow, and if Great Britain and France were doing it, the United States ought to, so that indirectly he might have an interest in it, but he certainly did not go over there in behalf of the British dye people, that I know of.

Mr. RAUSHENBUSH. Certainly articles of that kind, about "Britain forsees 'gas' war" and "New legislation will shut out dyestuffs and enable plants to be built which can be converted into poison-gas factories" may have had an influence on American public opinion as to the whole question of gas warfare.

Mr. IRÉNÉE DU PONT. I thing that was exactly what it was for, to awaken public opinion to the seriousness of that situation.

Mr. RAUSHENBUSH. And that was in the years prior to our disarmament conference here, which the President invited the nations of the world to attend, and in the course of which he mentioned the subject of poison gas as a possible subject for discussion.

Mr. IRÉNÉE DU PONT. What year was that? I do not recollect.

Mr. RAUSHENBUSH. It was on August 11, 1921, that the President's invitation went out, containing in it this clause:

> It may also be found advisable to formulate proposals by which in the interests of humanity the use of new agencies of warfare may be suitably controlled.

From that the so-called "treaty on poison gases" was drawn.

This was at a time preceding, and all I was asking about was the creation of a public opinion at that time which made not only the people in France and England aware of the whole question of protecting their chemical industries, but also the people in the United States.

Mr. IRÉNÉE DU PONT. It was aimed at the people in the United States. These messages went to the people in the United States. There are United States publications.

Mr. RAUSHENBUSH. This is aimed at the people in the United States. Before I get to another question, did you ever get any reports that any other American industries were over there doing the same thing at the same time?

Mr. IRÉNÉE DU PONT. I do not recall it unless Mr. Garvan, on behalf of the Chemical Foundation, might have done so. I do not know. I do not recollect.

Mr. RAUSHENBUSH. Outside of the chemical industry, was any other American industry "stocking up" interest in the national legislation of either England or France in behalf of our American defense at that time?

Mr. IRÉNÉE DU PONT. I do not get what you are driving at. I do not recall any of it.

Mr. RAUSHENBUSH. You did not run into any farmers' representatives over there who were doing the same thing at the same time?

Mr. Irénée du Pont. I did not; no, sir.

Mr. Raushenbush. In "Exhibit No. 915"—and this is the last of those to which I refer as having already been introduced, I believe—your publicity manager, Mr. Weston[1]——

Mr. Lammot du Pont. What is the date of it?

Mr. Raushenbush. It is dated March 25, 1921. Your publicity manager writes to an employee in Washington by the name of McNeely, and I quote from the middle of the second paragraph [reading]:

> The clauses in the peace treaty virtually require the construction of plants in Germany. If this cannot be accomplished, then the next best thing is to have similar plants built here so that we may produce the new chemical war munitions to offset the production in an enemy country.

I skip a paragraph and continue:

> I think with the present unsettled condition of world affairs, and with Germany's attitude toward the peace treaty arguments based on the question of disarmament are very much stronger than any others.

The middle paragraph I skipped is, perhaps, important, and reads:

> It is, of course, a fact and is quite apparent that American dye manufacturers want to protect and develop their industry as a business proposition, but we want more than the ordinary tariff for the reason that this is an intricate industry and cannot be developed except under unusual conditions. It really requires the absolute embargo of competitive products so that we can secure an income over the sale of these which will be sufficient to pay for the development of the products which we have not yet learned to make.

The point I want to make is in the third paragraph:

> I think with the present unsettled condition of world affairs, and with Germany's attitude toward the peace treaty arguments based on the question of disarmament are very much stronger than any others.

That is, in short, saying that here in the publicity at this time you were stressing the war aspect of the chemical industry in much the same way it was being stressed in Britain and in France. Is not that a correct inference?

Mr. Irénée du Pont. I am not certain what he talks about. [Reading:]

> I think with the present unsettled condition of world affairs, and with Gerany's attitude toward the peace treaty arguments based on the question of disarmament are very much stronger than any others.

I do not know just what he means by that.

Mr. Raushenbush. May I refer back to a good many exhibits introduced on last Thursday, showing the general trend of the times, notably the exhibits before and after "Nos. 914 and 916?"

There is a letter written from Mr. Weston to Mr. Shipp, on October 1, 1921, which I wish to offer for the record, with the appropriate number.

(The letter referred to was marked "Exhibit No. 1056" and is included in the appendix on p. 2846.)

The letter reads:

> My Dear Mr. Shipp: Please do not arrange to visit Mr. Cone. I think I have already arranged that matter satisfactorily.
>
> The question of advisers to the disarmament commissioners is also, I think, well in hand.

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[1] Hearings, Part XI, p. 2406.

What light can you throw on that "The question of advisers to the disarmament commissioners is also, I think, well in hand"?

Mr. Irénée du Pont. I do not know that I can throw any light on it. I do not know who Shipp is. Do you?

Mr. Raushenbush. Mr. Shipp was, we find, from an examination of your records, paid a sum of money through one of the chemical organizations then in existence. Subject to correction, I would put the sum in at $10,000. It was not the Chemical Foundation. It was one of the other organizations in existence at that time.

Mr. Irénée du Pont. You mean by an organization a company or an association?

Mr. Raushenbush. It was an organization to which your company was a large contributor.

Mr. Lammot du Pont. Such as the American Dyes Institute?

Mr. Raushenbush. That may have been the one. There were several other ones, whose importance I do not realize at this time.

Does that identify Mr. Shipp in your mind at all?

Mr. Irénée du Pont. Not at all.

Mr. Raushenbush. You never ran into him in any of your activities?

Mr. Irénée du Pont. I ran into so many in my activities it would be utterly impossible to know them at the time, let alone 15 or 18 years afterward.

Mr. Raushenbush. Is there anybody on your staff here who could throw further light on the thing:

> The question of advisors to the disarmament commissioners is also, I think, well in hand.

Mr. Irénée du Pont. I do not know just what "well in hand" means, and I am quite sure nobody in our organization here would know about it. It is possible Mr. Garvan might throw some light on it, but he is not a member of our organization.

Mr. Raushenbush. I offer for the record a letter found in your files, from General Pershing, which is put in simply for clarification on the question of chemical importance.

Mr. Iréné du Pont. July 15, 1921?

Mr. Raushenbush. The letter is dated July 15, 1921, which is put in simply for the value of stating his opinion on the importance of the chemical industry in warfare.

(The letter referred to was marked "Exhibit No. 1057" and appears in full in the text.)

Mr. Raushenbush. The letter, being addressed to Hon. Nicholas Longworth, House of Representatives, Washington, D. C., reads:

> With reference to the protection for the dye industry in this country, it can be stated that the coal-tar products, of which dyes are the most important at present in peace, is the base of practically all of our high explosives and most of our war gases.
>
> Our shortage of chemical plants in general, and dye plants in particular, prior to the World War, made it difficult for us to obtain a supply of high explosives and gases until we had been in the war for several months.
>
> From the above the importance of the chemical industry from a military standpoint will be readily seen.
>
> Sincerely yours,
>
> John J. Pershing.

Mr. Irénée du Pont. That was from General Pershing to the Honorable Nicholas Longworth?

Mr. Raushenbush. Yes.

Mr. Irénée du Pont. I presume it was sent to our files to show what General Pershing's ideas were.

Mr. Raushenbush. Yes.

Mr. Irénée du Pont. I want to point out, though, that the lack of high explosives did not seem to me to be particularly notable, but I think that the lack of supply of gases was very notable.

Mr. Lammot du Pont. I think a practical chemist who was familiar with the situation at that time could throw some light on Pershing's apparent error there.

Mr. Raushenbush. The only error that you see at the moment is the statement that "made it difficult for us to obtain a supply of high explosives"?

Mr. Lammot du Pont. Yes. I do not know what a military man would mean by "high explosives." By "high explosives" Irénée and I mean dynamite, and so forth.

Mr. Irénée du Pont. No. He meant picric acid and ammonium picrate, that is, undoubtedly the bursting charges. But I think there was no lack of those. I think we had available all that was needed, and there was some left over.

Mr. Lammot du Pont. General Pershing must have suffered a lack of some kind of high explosives. I am not chemist enough to say what kind he must have had in mind.

Mr. Raushenbush. It seems hardly worthwhile to interrupt the questioning on that point, as to what General Pershing meant. We note the statement that so far as you know there was no shortage of high explosives.

Mr. Irénée du Pont. What was the question you addressed to me on the letter? I apologize for not having noted it.

Mr. Raushenbush. I offered it for the record as showing the recognition of a general in the armies, of the importance of the chemical industry at the time. The question was not addressed to you.

There is a letter which I offer for the appropriate number.

(The letter referred to was marked "Exhibit No. 1058", and is included in the appendix on p. 2846.)

Mr. Raushenbush. This is from your publicity manager to Mr. Harold Braddock, of New York, dated October 6, 1921, which is still in the years surrounding this, before this disarmament conference.

The second paragraph reads:

> Very good progress is being made in the effort to secure support for our interests at the coming national meeting of the American Legion. This matter is very well in hand and is being pushed hard with the national officers and the executive committee.
>
> We expect action to be taken tomorrow, October 7, by the Army Ordnance Association meeting at the Aberdeen Proving Grounds. General C. C. Williams, Chief of Ordnance of the Army, has agreed to introduce a resolution and to speak in support of it. Several other Army officers who have already figured actively in the effort to build up a chemical industry will support him in his efforts.

Was that a military matter or was that a commercial matter?

Mr. Irénée du Pont. I think that undoubtedly General Williams' point of view was a military matter.

Mr. RAUSHENBUSH. The thing was a military matter, presumably, or else General Williams would not have interested himself in it, is that correct? Is that your interpretation of it?

Mr. IRÉNÉE DU PONT. I presume so.

Mr. RAUSHENBUSH. Do you know anything or does anyone present for the company know anything about the second paragraph?

> Very good progress is being made in the effort to secure support for our interests at the coming national meeting of the American Legion. This matter is very well in hand and is being pushed hard with the national officers and the executive committee.

Mr. IRÉNÉE DU PONT. I do not know anything about the detail of it; it was a perfectly rational thing to do. Those men knew what the trouble had been.

Mr. RAUSHENBUSH. This was a military matter that was being put before the Legion?

Mr. IRÉNÉE DU PONT. I presume so.

Mr. RAUSHENBUSH. About that time Mr. Weston was dealing with some military men. In a letter he says, "I have the military situation"——

Mr. LAMMOT DU PONT. What is the date of that letter, Mr. Secretary?

Mr. RAUSHENBUSH. This letter is dated December 4, 1919, and addressed to Mr. Carpenter, who I presume is Mr. W. S. Carpenter.

(The letter referred to was marked "Exhibit No. 1059", and is included in the appendix on p. 2846.)

Mr. RAUSHENBUSH. The paragraph to which I want to call attention——

Mr. IRÉNÉE DU PONT. Note this is December 4, 1919. This is prior to the matters which you were discussing a few moments ago, in 1921.

Mr. RAUSHENBUSH. It is for that reason I want to point to the second last paragraph:

> I have the military situation in hand, Earle, Williams, et al.

Can you identify Mr. Earle and Mr. Williams?

Mr. IRÉNÉE DU PONT. That was Admiral Earle in charge of the Navy ordnance, I think it was, one of the high officials of the Navy; and General Williams was the Chief of Ordnance of the Army.

Mr. RAUSHENBUSH. That must have been a military matter, then, at the time, must it not?

Mr. IRÉNÉE DU PONT. I read into the record the other day President Wilson's message to Congress in May of 1919. He stated that he repeated that message in December 1919. Of course, the main message was prior to this, and the December message, of December 7, practically confirms it. He was the Commander in Chief of the Army and Navy, and had expressed his views in such forcible language that if General Williams and Admiral Earle had taken any other position they would have been in the position of insubordination.

Mr. RAUSHENBUSH. Will you make that a little clearer to us, Mr. du Pont? In this letter Mr. Weston says:

> I have the military situation in hand, Earle, Williams, et al.

By "military situation" did he simply mean the support of the Army and Navy, or did he mean that this had something to do with chemical warfare?

Mr. Irénée du Pont. This was the protection of the dye industry. One of the reasons for protecting it was the possibilities of gas warfare and the manufacture of munitions. That is all expressed very clearly as Mr. Wilson said. His claim that he has it in hand, I think, is rather taking on himself a little credit that perhaps belongs elsewhere. But perhaps this is also a sales letter.

Mr. Raushenbush. As who said?

Mr. Irénée du Pont. Mr. Wilson, that I quoted a moment ago.

Mr. Raushenbush. Is it your understanding that when the President of the country expresses an attitude on some matter like that, that makes it necessary for the Chief of Ordnance of the Army and the Chief of Ordnance of the Navy to take a strong interest, a political interest in legislation before Congress?

Mr. Irénée du Pont. I think it was a patriotic interest. Remember, Mr. Wilson had been Commander in Chief, fighting only a few months before this a real war. His known attitude toward peace is so very well distributed that his coming out and saying, "It is essential to do this for future preparedness even though we disarm" must have certainly tipped off his principal officers to the fact that he thought it, and undoubtedly they thought so, too. They had had experience. Perhaps they were the ones who put it up to him. I do not know.

Mr. Raushenbush. Have the military leaders who deal with your company, the Chief of Ordnance of the War Department and the Chief of Ordnance of the Navy, been in the habit of speaking for the protection of any other industry than the chemical industry?

Mr. Irénée du Pont. I could not tell you that.

Mr. Raushenbush. Do you know what Admiral Earle and General Williams did do to help the chemical industry at that time?

Mr. Irénée du Pont. We just saw here that General Williams appeared at the Army Ordnance Association meeting in Aberdeen, and spoke before the officers that were assembled there, and civilians, too. That is what I gather this says. It shows he was very much for it.

Mr. Raushenbush. Do you know that some time later General Williams was one of the technical advisers to the disarmament conference in 1922, appointed in November 1921?

Mr. Irénée du Pont. I doubt if he knew that that was going to happen in December 1919. I do not think that has any bearing on his attitude at this particular time.

Mr. Raushenbush. The question was rather whether it had some bearing on his attitude later.

Mr. Irénée du Pont. I think it probably did; yes, sir. His knowledge of the situation, what it meant, undoubtedly had influence on him. I suppose that was the object of sending him, because he knew something about the question.

Mr. Raushenbush. Did Mr. Weston get in touch with these people under your orders, these military people?

Mr. Irénée du Pont. I do not see that it says that he did get in touch with them.

Mr. Raushenbush. He said, "I have the military situation in hand, Earle, Williams, et al."

Mr. Irénée du Pont. I do not know what that means.

Mr. RAUSHENBUSH. Was he reporting to Mr. Carpenter about these things?

Mr. IRÉNÉE DU PONT. He wrote to Mr. Carpenter, and Mr. Carpenter undoubtedly took it over to me, because I was right in this proposition. In fact, they asked me to come down here, that I get to be there in person. I think this is the letter, is it not? No; it is a similar letter, about the same time.

Mr. LAMMOT DU PONT. Mr. Chairman, I think you are asking Mr. Irénée du Pont a whole lot of questions about these matters that he cannot have first-hand knowledge about. I have before me a letter that you drew from our files, which is signed by General Williams, referring to this matter. Why do you not take his own word for what he thought?

Mr. RAUSHENBUSH. I do not remember the letter you have in front of you. I would be glad to have it read.

Mr. IRÉNÉE DU PONT. It is dated December 5, the next day after this letter.

Mr. LAMMOT DU PONT. You drew it from our files.

Mr. RAUSHENBUSH. Yes; but we cannot use all. I would be glad to have it go in.

Mr. LAMMOT DU PONT. We have a copy.

Mr. IRÉNÉE DU PONT. May I read this letter? Presumably I had a copy of it at that time.

Mr. RAUSHENBUSH. This is an offer from General Williams, Chief of Ordnance of the War Department, to Senator Watson, Chairman of the Finance Subcommittee, United States Senate, speaking of the importance of the chemical industry. The last paragraph says:

> I would be very glad to appear before your committee in person, and will do so if you care to have me. I am leaving Washington today, but expect to return on the 15th instant.
>
> Respectfully,
>
> C. C. WILLIAMS,
> *Major General,*
> *Chief of Ordnance, U. S. A.*

We will enter that as an exhibit with the appropriate number.

(The letter referred to was marked "Exhibit No. 1060", and is included in the appendix on p. 2847.)

Mr. IRÉNÉE DU PONT. Do you have a copy of that?

Mr. RAUSHENBUSH. We do not have one here, but we can get one.

Mr. IRÉNÉE DU PONT. Will you put the entire letter in?

The CHAIRMAN. Yes.

Mr. RAUSHENBUSH. Does this letter of December 4, "Exhibit No. 1059", saying "I have the military situation in hand", mean that General Williams would write such a letter to the Chairman of the Finance Committee, which followed the next day?

By the way, there is another phrase in this somewhat interesting letter here at the end to Mr. Carpenter:

> Shall not fail to meet you at the Willard Saturday night—duce tecum.

My Latin is not what it might be, but I think it means "Bring with you."

Mr. IRÉNÉE DU PONT. I think in legal parlance that might be; but, remember, this is in the days of prohibition. I made inquiry afterward as to what it might mean, and I was informed that it meant "B.Y.O.L.", which translated means "Bring your own liquor." I went in answer to that letter, and I did not bring the liquor.

Mr. RAUSHENBUSH. Did you have a Mr. Landis employed in your company at the time?

Mr. IRÉNÉE DU PONT. Mr. Landis was the head of the Washington office to expedite military matters with the United States Government between 1917 and 1919, I think September. I think the office was continued on for about a month or two thereafter, then closed. It had been closed before this letter was written.

Mr. RAUSHENBUSH. What was the connection of Mr. Landis with your own company at this time?

Mr. IRÉNÉE DU PONT. I think he had returned to Wilmington and was sort of on the semiretired list. He had been in charge of the Washington office in connection with contracts with the United States Government during the war. He was assistant to Colonel Buckner, who was our sales manager of military explosives at that time.

Mr. RAUSHENBUSH. Are any other military people mentioned in this letter? Who is "T. C."?

Mr. IRÉNÉE DU PONT. That is my cousin, T. Coleman du Pont. At that time, I believe, he was United States Senator. I am not sure if it was then or about then.

I do not see any other military officers named.

Mr. RAUSHENBUSH. Do I gather Mr. Landis at this time still was in the employ of the company?

Mr. IRÉNÉE DU PONT. I think so, up to the time of his death I think he was employed.

Mr. RAUSHENBUSH. Did you inform these military men, or did your representatives down here inform these military men, of all the political power that was boasted about in the rest of the letter, the influence of Mr. Landis, for instance?

Mr. IRÉNÉE DU PONT. What paragraph is that?

Mr. RAUSHENBUSH. The fourth paragraph on the first page.

Mr. IRÉNÉE DU PONT. I think undoubtedly Mr. Landis, being a fellow citizen of Indiana with Watson, was the logical man to tell him the facts in this particular case. I think there is no question that Landis would see Watson, whom he knew, and explain to him just what this fight was all about and what it meant. I do not think he would have seen anybody else. I do not know about this "boasting" business. At that time I do not think we felt particularly boastful. We were worried.

Mr. RAUSHENBUSH. The question is whether the Army men, meaning the heads of ordnance of the Army and Navy, were told about the political activities and power that the company was discussing in the rest of the letter.

Mr. IRÉNÉE DU PONT. I could not tell you whether they were told or not. They certainly knew we were working down there hard.

Mr. LAMMOT DU PONT. There seems to be a lot of mystery about this paragraph, Mr. Chairman. I would like to read it:

> We have all kinds of "dope" about Watson of Indiana. The disquieting report is that he has been busy in behalf of importers and is not friendly to us. We thought Landis had him fixed and still hope that is true.

I think that the mystery that the Secretary surrounds this with is due to the use of that word "fixed" which, I would think from the context, meant fixed in mind, that is, convinced.

Mr. RAUSHENBUSH. Did you talk with the various people mentioned in this letter, Mr. Du Pont?

Mr. IRÉNÉE DU PONT. I presume I talked with all of them and a whole lot more, although if there are some out of town, I could not have seen them. I saw everybody I could lay my hands on.

Mr. RAUSHENBUSH. The only purpose of this questioning is to find out whether this was a military situation. You answered "Yes", I believe, that it did have military implications.

Mr. IRÉNÉE DU PONT. It did.

Mr. RAUSHENBUSH. The second part of the questioning was to find out whether the heads of the War and Navy ordnance, one of whom was later delegated to the Disarmament Conference, knew about all the political pressure being exerted by the company at that time.

Mr. IRÉNÉE DU PONT. I can hardly conceive that they did not know about it. If they did not know about it, I guess they were the only people in Washington who did not.

Mr. RAUSHENBUSH. It might have made an impression on them as to the importance of the company in the national picture at the time?

Mr. IRÉNÉE DU PONT. I think it undoubtedly showed them that the American Dyes Institute, the organic chemical manufacturers of that day, were very much alive to the situation and were using every power they could to bring it before the proper authorities of the Government to impress them with the necessity of it. Remember that the people in Congress at that time knew nothing whatever about the organic chemical industry. It was a complete closed chapter to them. They had never heard of it. I know I talked to a number of these Senators myself, and they had not the least comprehension as to what it was all about until I got at them. I helped a little bit, at least, in spreading the information. I do not mean to take any great credit for myself, because there were a great many others who were doing the same thing.

Mr. RAUSHENBUSH. We have had the name of one of these men, General Williams, appear in testimony at various times, and we are trying to find his interest, among other things, in the chemical disarmament.

Mr. IRÉNÉE DU PONT. Mr. Chairman, I think that ought to be explained.

General Williams was Chief of Ordnance of the United States Army. If he should not know anything about ordnance and munitions of war, he would not be the right man to be there. Of course, he has been in everything pertaining to ordnance and munitions.

Mr. RAUSHENBUSH. And a further question was whether he had ever been as active in behalf of any other industry as he was in behalf of the chemical industry.

Mr. IRÉNÉE DU PONT. He was very active in pressing the war only a few months before this, when the United States was in it. I know how hard he was working on that.

Mr. RAUSHENBUSH. Pressing what? I asked whether he had been active in behalf of any other industry besides the chemical industry.

Mr. Irénée du Pont. I could not tell you about that. I do not know.

Mr. Raushenbush. The chemical industry was very definitely one involved in the war picture?

Mr. Irénée du Pont. It was a most unique industry as pertains to preparedness. That was the first thing we had to sell.

Mr. Raushenbush. Do you believe it still is?

Mr. Irénée du Pont. I know it is.

Mr. Lammot du Pont. Particularly the organic chemistry.

Mr. Irénée du Pont. You have to have inorganics, too. The chemical industry—I will take the whole hog.

Mr. Raushenbush. I am very glad you did that.

The further question there, a somewhat incidental one, was whether it would not by inference have influenced some of these high military officials to have been told the various things that were going on, when one of the leaders of the Senate says, as he does in a letter:

> Give the du Ponts what they want just as far as you possibly can without getting into a row.

Mr. Lammot du Pont. What is the date of this letter? It is not on this copy.

Mr. Raushenbush. It is uncertain whether it is 1920 or 1921. It is apparently addressed from Mr. Carpenter to you, Mr. Irénée du Pont.

Mr. Lammot du Pont. The date on here is February 17, 1920.

Mr. Raushenbush. With a question mark after the " '20." We cannot make out whether it is '20 or what it is.

> Give the du Ponts what they want just as far as you possibly can without getting into a row.

If that sort of thing is told to officials of military services, that the company has that much power, would not that stand a chance of influencing their activity or lack of activity in behalf of one particlar industry?

Mr. Irénée du Pont. One moment. I would like to read this to refresh my mind. Might I?

Mr. Raushenbush. Yes, indeed.

Mr. Irénée du Pont. You speak about "power." I think that Penrose was convinced that it was the right thing to do, and he knew we were perfectly honest and sincere in what we asked for, and he said, "Give them anything they want if we do not get into a row."

Mr. Raushenbush. Nobody except yourself is raising the question of the ethics of the situation at that time.

Mr. Irénée du Pont. I am not raising the question of the ethics, but you mentioned our power over them; the power of persuasion; yes.

Mr. Raushenbush. You do not know actually whether in your own communications, such as they were, with the military service men you spoke of these matters to them or quoted Penrose, or anything like that?

Mr. Irénée du Pont. I do not know that I quoted Penrose at all. This letter, you see, is written subsequent to those that you are speaking of. But I certainly talked to them on the subject of preparedness every time I saw them.

Mr. Raushenbush. There is a further letter dated May 2, 1921, from Mr. Charles A. Meade, vice president of the company, which I offer as an exhibit for the appropriate number.

(The letter referred to was marked "Exhibit No. 1061" and is included in the appendix on p. 2848.)

Mr. Raushenbush. This is addressed to Mr. Irénée du Pont, president.

> Referring to yours of April 29, relative to our relations with the Chemical Warfare Service, I think you will be pleased to know that our contact with that organization is already quite close and a recent visit to the Edgewood Arsenal by Dr. Reese has brought about a beginning of cooperation which, no doubt, will be highly beneficial both to the Service and to ourselves in the future.
>
> I know that General Fries, from personal conversations that I have had with him, looks upon us as a mainstay in case we are brought to a situation where the united effort of the country is needed. There is not, of course, at the present a demand for any of our by-products at Edgewood that is of material moment, but when that does develop, in case their experimental work is expanded, I am very sure that we shall have the right kind of a call from the Chemical Warfare Service. I have no intent to let lapse the connection which has been established by reason of our united effort in legislative work.
>
> Charles A. Meade, *Vice President.*

The question there is this: That legislative work that the Chemical Warfare Service was united with you in performing was of a military nature, was it not, or had military significance?

Mr. Irénée du Pont. I presume so. I notice this letter is dated May 2, 1921, more than a year after those previous ones, so that it does not hook up very closely with the letters we have been discussing.

Mr. Raushenbush. Are you making a point ——

Mr. Irénée du Pont. I am only trying to prevent confusion of this letter having anything to do with the letter of 1919. Of course, it is the same general subject, preparedness, and of the effect of the organic chemical industry on gas warfare if it should become necessary to produce gases. It is the same general subject. But this letter is written more than a year after these other topics we had up before Congress in 1919.

Mr. Raushenbush. The last paragraph [reading]:

> I have no intent to let lapse the connection which has been established by reason of our united effort in legislative work.

Can you tell us what in addition to the 1919 efforts of the War and Navy Departments in behalf of the chemical industry were engaged in by the two services to warrant any further addition to that?

Mr. Irénée du Pont. I do not get that question.

Mr. Raushenbush. You were explaining just a moment ago, Mr. du Pont, that this probably had very little reference, as I take it——

Mr. Irénée du Pont. No, no; I said it was the same subject. But this should not be confused with the letters of 1919 and our efforts starting the dye embargo. This pertains to the Edgewood Arsenal's efforts to produce poison gases, and they naturally would work with us, too. We wanted them to.

Mr. Raushenbush. It does; but it speaks of "our united effort in legislative work", and the question addressed to you now is if that did not mean 1919, what did it mean?

Mr. Irénée du Pont. This has been 1921.

Mr. RAUSHENBUSH. Was there a continued effort all along through there?

Mr. IRÉNÉE DU PONT. It was continued; yes, sir.

Mr. RAUSHENBUSH. It seems to me that there is no question.

Referring back to an exhibit already introduced, "No. 922",[1] will you identify whether there are any military people in this letter? It is signed by Mr. Poucher and reads:

> DEAR MR. DU PONT: Situation clearer and better today. Martin and the Major are hard at it.

Can you identify those people for us?

Mr. IRÉNÉE DU PONT. I think I can. My impression is that Martin was the secretary to Senator Knox at that time, and that the major referred to is Major Parkinson, who I think was the lawyer who did the actual carpenter work on bills for the United States Senate.

Mr. RAUSHENBUSH. You are very sure about the identification of Mr. Martin as secretary to Senator Knox?

Mr. IRÉNÉE DU PONT. I am not 100 percent sure. I said I think that is who they were.

Mr. RAUSHENBUSH. We identified Mr. Wood as a textile manufacturer. Culbertson was identified as Tariff Commissioner at the time. This is the same Culbertson, is it not, who was later appointed to the technical staff of the Disarmament Conference about a year later?

Mr. IRÉNÉE DU PONT. I do not know about that.

Mr. RAUSHENBUSH. A member of the Tariff Commission. Now, Major Parkinson, was he in your employ?

Mr. IRÉNÉE DU PONT. He was not.

Mr. RAUSHENBUSH. Do you gather that he was in the active service of the Army at the time?

Mr. IRÉNÉE DU PONT. I think not. I think he was an employee of the United States Senate.

Mr. RAUSHENBUSH. That is Major Parkinson? You identify him that way?

Mr. IRÉNÉE DU PONT. I do not know where he got the title "Major", whether he was an Army officer or belonged to the militia or whether it was some complimentary one.

Mr. RAUSHENBUSH. The question comes from the context of that paragraph:

> The Major will likely propose that as this is a measure touching "national defense", the Commission should be headed by General Siebert to give it the flavor of defense rather than tariff.

Mr. IRÉNÉE DU PONT. This is very closely after the December letters. At that time we were asking for an embargo, a high tariff to back it up with. I even went further, I think, and asked that we suspend the Sherman laws so all the dye companies could get together with a common purpose under supervision by a Government official.

Mr. RAUSHENBUSH. This was not a gas-warfare measure then; this was a protection measure, was it not?

Mr. IRÉNÉE DU PONT. National defense.

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[1] Hearings, Part XI, p. 2412.

Mr. RAUSHENBUSH. Did you say this was a matter dealing specifically with gas warfare, or was this a tariff measure?

Mr. IRÉNÉE DU PONT. Well, we were not satisfied to have it a tariff measure. We wanted an embargo to prohibit the importation of dye, so that the dye industry could get a start. They offered us tariff, and I said, "That is not enough. We must have an embargo. The thing is too important." Embargo was a horrible name in those days, and it was awfully hard to sell the idea.

Mr. RAUSHENBUSH. Coming back to the disarmament conference at that time, in which the gas treaty was evolved, Mr. Weston received a letter from Charles L. Parsons, secretary of the American Chemical Society, dated December 1, 1921, which I offer for the record for appropriate number.

(The letter referred to was marked "Exhibit No. 1062" and is included in the appendix on p. 2848.)

Mr. RAUSHENBUSH. The letter says:

> DEAR MR. WESTON: Replying to yours of November 30. I am fully in touch with the work that is being done here in Washington regarding the question of chemical warfare before the International Conference. At the same time, the matter is a very delicate one, and we can say very little to reporters. Up to the present time nothing definite has been done except the organization of the committee which met for the first time yesterday afternoon at 4 o'clock. Their meeting was simply for organization, and they have not yet received the full and necessary instructions to outline their future procedure.
>
> I agree with you that it is highly important that the commercial interests hold aloof from this matter, for it is a delicate one and their position is quite likely to be seriously misunderstood. You can see from the articles which are appearing in the New York Herald and also from the article on page 4, column 6, of the Philadelphia Ledger of this morning how careful the chemists have to be in handling this situation.

We understand this letter to deal with the International Conference, the so-called "Disarmament Conference" of 1922, do we not? It seems to deal with that, doesn't it?

Mr. IRÉNÉE DU PONT. I would say so. It is dated December 1921.

Mr. RAUSHENBUSH. And Mr. Parsons says he is "fully in touch with the work that is being done here in Washington regarding the question of chemical warfare before the International Conference." Could you tell us anything more about that work that was being done before that International Conference?

Mr. IRÉNÉE DU PONT. I do not know that I can. This apparently is the American Chemical Society.

Mr. RAUSHENBUSH. Writing to Mr. Weston.

Mr. IRÉNÉE DU PONT. Was it not the secretary of the American Chemical Society? Yes; it is at the top, "American Chemical Society, office of the secretary." He was the secretary of that organization.

Mr. RAUSHENBUSH. And he was writing to Mr. Weston about——

Mr. IRÉNÉE DU PONT. He was a publicity man. It is marked, "Publicity Bureau."

Mr. RAUSHENBUSH. He was head of your publicity bureau and seemed to be very active down here at the time.

Mr. IRÉNÉE DU PONT. Yes.

Mr. RAUSHENBUSH. He say he was "in touch with the work that is being done here in Washington regarding the question of chemical warfare before the International Conference. At the same time, the matter is a very delicate one, and we can say very little to reporters."

The question to you is, what can you tell us about the work being done here at the time, preparatory to that conference?

Mr. Irénée du Pont. I am afraid I am not familiar with what the American Chemical Society were doing. I notice this letter emanated from Washington. I do not recall what they were doing, if anything.

Mr. Raushenbush. No; the question was what your company's representatives were doing.

Mr. Irénée du Pont. We certainly were interested in the protection of the dye industry at the time. I am not familiar with what this disarmament congress undertook to do, but if they attacked the organic chemical industry with the idea that it should be inhibited, then I think we would certainly work against that move.

Mr. Raushenbush. But as far as the details of what was done down here by the representatives of your company, you cannot help us out, in detail?

Mr. Irénée du Pont. Yes; I think I can help you a lot, but I do not happen to know what the American Chemical Society was doing.

Mr. Raushenbush. No; the question is the other one. The letter is addressed to your Mr. Weston.

Mr. Irénée du Pont. Our publicity man, in Wilmington, Del.

Mr. Raushenbush. Who spent, according to his testimony, a great deal of time down here.

Mr. Irénée du Pont. Yes. That was 2 years before.

Mr. Raushenbush. The question was what your company was doing preparatory to this disarmament conference. Is there anybody in your company in the room who could give more detail on that?

Mr. Irénée du Pont. I am a little fogged up on that disarmament conference. I do not recall what it was.

Mr. Raushenbush. Mr. Weston spoke awhile ago of having the advisers well in hand, and so on, so we gathered than there was rather an intense interest in that conference.

Mr. Irénée du Pont. Could you give me that report again?

Mr. Raushenbush. Yes, indeed.

Mr. Irénée du Pont. This says that advisers to the disarmament conference were apparently appointed by the American Chemical Society or, if not appointed, their recommendations must have been made. I think that is what it refers to. They are advisers. They are not members of the commission.

Mr. Raushenbush. They are advisers; and then about at the same time, which is October, we had an exhibit speaking of taking and making an effort to secure support for " our interests " at the coming national meeting of the American Legion and that General Williams has agreed to introduce a resolution that spoke in support of it, for the Army Ordnance Association. That does some to indicate considerable interest in the approaching meeting, as we understand it, does it not?

Mr. Irénée du Pont. You surely have among your records, when this disarmament conference was called, the date of it.

Mr. Raushenbush. The date of the calling was entered in the record today or the date of the President's invitation, as August 11, 1921.

Mr. Irénée du Pont. 1921?

Mr. Raushenbush. 1921; yes.

Mr. Irénée du Pont. Then it is evident that the 1919 matter did not refer to that.

Mr. Raushenbush. That is why I kept asking about whether the activities of the war officials were in behalf of the chemical industry or in behalf of war protection.

Mr. Irénée du Pont. Mr. Secretary, I do not think that is a fair question to ask me. Those Government officials are available right here in town. It would not cost them anything to come over here. It is costing us a great deal to stay down here, especially in the matter of time.

Mr. Raushenbush. On that point, Mr. du Pont, you know you have been very generous. We only wanted a few of you as witnesses and only asked for a few, and you thought it advisable to bring down a great many.

Mr. Irénée du Pont. You must remember the du Pont Co.'s interests are so far-flung, and not knowing what you are going to ask, no one man can know it all.

The Chairman. Mr. du Pont, how much of a force have you found it necessary to bring with you and keep with you here during these days of the hearings?

Mr. Irénée du Pont. I do not know how much is necessary. You called a comparatively few of them, but in the earlier hearing in September it certainly was desirable to have our accounting men here, from some of the questions you asked. We certainly have to have some chemical men, because you may get on to some chemical problem. We can't know everything about what you are going to ask. You have touched so many different subjects that it is impossible that any one man could answer you.

The Chairman. How many people do you have here, occasioned by these hearings, at this time?

Mr. Irénée du Pont. I could not tell you. I suppose there must be 18 or something like that.

The Chairman. More than that.

Mr. Irénée du Pont. Let them stand up and count their noses.

The Chairman. When I say here, I mean here in Washington.

Mr. Irénée du Pont. I imagine they are all present in this room. I do not know how many. I only want to get the facts. There is no use of my guessing.

The Chairman. You have clerks and stenographers who are not here, don't you, who are at work on this?

Mr. Irénée du Pont. I do not know if we have or not. I haven't got a stenographer here.

The Chairman. We have been told you had as many as 50 or 60 here in Washington.

Mr. Irénée du Pont. Mr. Mudge, how many people have we got here, do you know?

Mr. Mudge. Oh, about 20.

Mr. Irénée du Pont. That looks approximately right.

The Chairman. About 20?

Mr. Irénée du Pont. Yes.

Mr. Raushenbush. Then the letter from Dr. Parsons was replied to by Mr. Weston on December 2, 1921, in an exhibit that I offer for the record.

(The letter referred to was marked "Exhibit No. 1063" and is included in the appendix on p. 2849.)

Mr. Raushenbush. This reads:

> My Dear Dr. Parsons: I want to thank you for your letter of yesterday and for the copy of your communication to the Public Ledger.
>
> The question of properly guiding the newspaper writers is to my mind the most serious one before the chemical industry and the Chemical Society at this time. The article which you criticize offers the best possible evidence of the need of educating the writers and their education can be accomplished only by dealing frankly and fully with them and giving them information in advance of its actually happening so that they may get the proper perspective and realize the importance of what is to come.
>
> For instance, it has been evident for some time that Constance Drexel was in the mood to be hysterical over poison gas. The things she has written since she first went to Washington to attend this conference have all pointed in one direction. If she could have been taken in hand and told exactly what this luncheon was intended to accomplish, she would not have made the serious misstatements, though she might not have been converted to support of the proposition.
>
> All this is apropos of your statement that * * * the matter is a very delicate one and we can say very little to reporters.

I want to call your attention particularly to the last part of it:

> I am presuming to make suggestions because on the advice of Dr. Herty, after conference with Dr. Smith, it was agreed that matters of publicity for the present should be left entirely to the discretion of the noncommercial chemical interests with Dr. Smith, president of your society, as their official representative, and because of my experience in the newspaper field which presumably has equipped me to see these things in a different light than that in which they appear to the layman.

May we gather there that Dr. Smith, who was later chosen as an adviser to the Disarmament Conference, or who had by that time been chosen as an adviser, and your Mr. Weston, were to arrange the matter of publicity for this Disarmament Conference? Apparently the two of them are to do that. We have identified Dr. Herty, we have identified Dr. Smith, and here is the statement, that in view of the delicateness of the situation the matter of publicity should be left to the discretion of other commercial interests; that is, presumably they wanted the commercial chemical interests out of the picture.

Mr. Irénée du Pont. To keep their mouths shut.

Mr. Raushenbush. To keep their mouths shut at that time?

Mr. Irénée du Pont. That is what I gather. That is what they say.

Mr. Raushenbush. That is what they seem to say.

Mr. Irénée du Pont. Yes.

Mr. Raushenbush. And at the same time, Mr. Weston, who was your employee, is to handle the publicity.

Mr. Irénée du Pont. I gather he is volunteering his services to Dr. Smith.

Mr. RAUSHENBUSH. We were going to ask Mr. Weston in some detail about what he did at that time, but will apparently have to skip that for the moment.

On January 25, 1922, while the conference was still on and the matter of gas was being discussed, he wrote a letter, which I offer for the record, to Mr. Thomas R. Shipp, of the Albee Building, Washington, D. C.

(The letter referred to was marked "Exhibit No. 1064" and appears in full in the text.)

Mr. RAUSHENBUSH. This reads:

> MY DEAR SHIPP: Thanks for your suggestion about sending the poison-gas story over the country. I wrote the story in reply to an inquiry from the Ledger and arranged from this office that it should be spread around.

Doesn't that seem, at a time when the conference was going on, your man was sending around a story with the idea that it would have considerable influence on public opinion? It was a straight out poison-gas story.

Mr. IRÉNÉE DU PONT. I imagine so. It is what it looks like from this letter.

Mr. RAUSHENBUSH. It goes on:

> As to the farm conference, I knew when we were late there would be difficulties in the way, otherwise it would not have been necessary to appeal for the help which I confidently assured our people would bring results. You see I thought you owned all Washington and I had no doubt that you could put one over on the "hayseed" administration.

Do you know whether he meant the farmer groups or some kind of a farm conference in that, or did he mean the administration?

Mr. IRÉNÉE DU PONT. That is what he said. I never heard of it before, but it only indicates to me that some of the perhaps reporters expressions are sometimes a bit unfortunate, referring to the "hayseed" administration. I do not concur in the expression. I am a farmer.

Mr. RAUSHENBUSH. But does not the letter seem to indicate that there was some attempt to bring some pressure to bear also on a farm conference at the time?

Mr. IRÉNÉE DU PONT. Apparently so. That is all I know about it.

Mr. RAUSHENBUSH. I want to offer a further exhibit, being a memorandum to Mr. A. B. Echols, assistant treasurer, from W. F. Harrington, dated January 28, 1922.

(The memorandum referred to was marked "Exhibit No. 1065" and is included in the appendix on p. 2849.)

Mr. RAUSHENBUSH. This seems to be an accounting of payments to various chemical groups and munitions payments to people in Washington.

Mr. LAMMOT DU PONT. Didn't you call this man Nichols?

Mr. RAUSHENBUSH. Echols.

Mr. LAMMOT DU PONT. Echols, that is correct.

Mr. RAUSHENBUSH. I want to call attention on the third page to a statement at the end, after listing all of the expenditures here of $57,373.49 to various groups—

Mr. IRÉNÉE DU PONT. Would you read the first line of that, stating what it is: "Payments to or for account of American Dyes Institute"? It is the various organizations, as I said.

Mr. RAUSHENBUSH. That is right. That is various. The exhibit goes on from there to take in various others. I am sorry. That is $57,373.49, grand total, American Dyes Institute.

Mr. IRÉNÉE DU PONT. Yes.

Mr. RAUSHENBUSH. And the note there is the one I want to call attention to:

> In April 1921, this company paid the bill for 7,500 copies of booklet " World Disarmament and the Master Key Industry."

That master key industry is the chemical industry, is it not?

Mr. IRÉNÉE DU PONT. Undoubtedly.

Mr. RAUSHENBUSH (continuing):

> And bill in the amount of $5,357.30 was rendered against the American Dyes Institute under date of April 30, 1921, which item has not been paid to us. It is understood that a portion of this at least is to be borne by us anyhow, and that furthermore, after the investigation is finished and commitments by the institute will have to be met, that this amount is to be credited to our share to be paid.

In the course of this accounting there is mention of a check to the order of Frank S. Bright and G. S. Ferguson, Jr., Washington, D. C., to cover bill for services rendered.

Mr. IRÉNÉE DU PONT. Where is that?

Mr. RAUSHENBUSH. On the first page, the last paragraph.

Mr. IRÉNÉE DU PONT. Yes.

Mr. RAUSHENBUSH. For services rendered by them in connection with the Revenue Act of 1918, and all other services account American Dyes Institute, totaling $10,000.

Mr. IRÉNÉE DU PONT. Yes.

Mr. RAUSHENBUSH. Could you explain that more fully? We had in evidence here the other day a check for $100,000 to Mr. Bright, which was supposed to cover some years of taxation work. Does he do general legislative work for you down here?

Mr. IRÉNÉE DU PONT. I do not think this was general legislative work. He was working for the American Dyes Institute; I suppose an attorney to do the hammer and saw work and advise us legally. I presume that is what it is. It is what it says. He was an attorney.

Mr. RAUSHENBUSH. He is still your attorney down here, isn't he?

Mr. IRÉNÉE DU PONT. I think so. I am not sure.

Mr. RAUSHENBUSH. Did you at that time have any politically important people on you pay roll or on the pay roll of some of these other organizations?

Mr. IRÉNÉE DU PONT. What do you mean by politically important? Appointees of the Government?

Mr. RAUSHENBUSH. No. Political people, people with known political influence.

Mr. IRÉNÉE DU PONT. Well, I think I have some political influence. Do you mean that kind of a case, a private citizen who might by reason of his position have some influence? Be perfectly frank. If you mean, did we bribe anybody in the Government: I will say, " No."

Mr. RAUSHENBUSH. The question is not directed that way. The question is whether you had any nonofficials of important political influence in your employ at the time?

Mr. Irénée du Pont. I could not answer that directly, because I am unable to define political influence. I think I have some political influence. I certainly have had the impudence to go around and talk to people, which had some political influence. If you have any names in your mind, I could very readily find out whether they were on our pay roll or not.

Mr. Raushenbush. Of course, the question there will depend on how far the committee wants to come back to this question later on.

The Chairman. We will stand in recess until 1:30.

(Whereupon, at 12:30 p.m. the committee recessed until 1:30 p.m. of the same day.)

AFTERNOON SESSION

The hearing was resumed at 1:30 p. m., pursuant to the taking of the recess.

FURTHER TESTIMONY OF LAMMOT DU PONT, IRÉNÉE DU PONT, AND W. R. SWINT

INTERNATIONAL CONNECTIONS IN THE CHEMICAL INDUSTRY

(The witnesses were previously duly sworn by the chairman.)

The Chairman. The committee will be in order.

Mr. Raushenbush. Mr. Chairman, if the committee please, we were closing up this morning's examination with a question concerning the interest of some of our own service officials in the welfare of the chemical industry.

May I ask whether, from your own knowledge, or from your company information, you are able to state whether the Army officers in England, France, Japan, or Germany, any or all of them, have in similar ways aided the chemical industries of those countries?

Mr. Irénée du Pont. I do not know of my own knowledge; no, sir.

Mr. Raushenbush. What I am trying to get at is whether that is a unique situation, that our own service officers supported the industry at this particular time, or whether that was being done in other countries as well.

Mr. Irénée du Pont. Now, going back to Lord Moulton, who was, I think, head of munitions of Great Britain during the World War, he was very familiar with the organic chemical industry, and I think that he advocated British participation in the chemical industry. I think I have seen writings to that effect.

Mr. Raushenbush. Is it a matter known to you that generally the chemical industry, which, in the post-war years, which had been expanding years——

Mr. Irénée du Pont. May I correct that? I do not know that Lord Moulton was an Army officer. I think he was in charge of munitions, and not Chief of Ordnance, I am quite sure.

Mr. Raushenbush. Will you read my question as far as I have gone, Mr. Reporter?

(The pending question, as above recorded, was read by the reporter.)

Mr. Raushenbush (continuing). Has been in close relationships with their own governments?

Mr. Irénée du Pont. I really could not tell you that. You would have to get somebody familiar with foreign affairs.

Mr. Raushenbush. I would like to offer for the record, somewhat incidentally, an exhibit to be given the proper number, being a report by D. B. Bradner, on the general subject of poison gases, their manufacture, and the extent to which the company is prepared or not prepared to manufacture them, in 1924. The report is transmitted by Major Casey to Colonel Taylor, and describes in some detail how phosgene gas, diphenylamine, chlorarsine, sulphur chloride, and others, are composed.

(The document refered to was marked "Exhibit No. 1066" and is included in the appendix on p. 2853.)

Mr. Raushenbush. I would like to have it as a matter of record.

Now, going into the relations of some of the big foreign chemical companies with their governments, I would like to offer a memorandum dated November 6, 1933, initialed J. K. J., who is presumably Jenney, is it not?

Mr. Lammot du Pont. I think so.

Mr. Raushenbush. Describing a visit of Mr. G. Donegani on October 27, 1933, to Wilmington.

(The memorandum referred to was marked "Exhibit No. 1067" and is included in the appendix on p. 2855.)

Mr. Raushenbush. I call attention to the Government interest indicated in the company in the last paragraph on the first page. [Reading:]

> * * * Mussolini, who is a personal friend of Donegani, called him in and told him that he wanted him to take the company over.

Mr. Lammot du Pont. Where is that?

Mr. Raushenbush. At the end of the first page. [Reading:]

> * * * Mussolini, who is a personal friend of Donegani, called him in and told him that he wanted him to take the company over. Mr. Donegani objected; first on the grounds that he did not want to put good money into a sick company, and that he could not make it a technical success without securing assistance from abroad. After considerable argument, and after pointing out that both du Pont and the English had turned down the proposition to give A.C.N.A. assistance, Donegani secured permission to bring the I.G. in as minority holders.

That is the German company, I presume?

Mr. Lammot du Pont. I.G. is.

Mr. Raushenbush. I skip the rest of the paragraph.

Mr. Lammot du Pont. Is it explained what A.C.N.A. is?

Mr. Raushenbush. That is the big Italian company, is it not?

Mr. Lammot du Pont. That is Mr. Donegani's company.

Mr. Raushenbush. Yes.

Mr. Lammot du Pont. All right.

Mr. Raushenbush (reading):

> The financing was done through Credito Italiano upon the orders of Mussolini. It is our understanding that 40,000,000 lire was paid for the concern, 49 percent of which was supplied by the Germans.

The last paragraph of the letter says [reading]:

> Mr. Donegani reported that the German rayon cartel, in which the Italians had an 18-percent interest, was broken up by an edict of the Hitler government without any reason except national self interest to justify the step.

In Germany, apparently, a similar government interest existed, according to a memorandum which I offer for the record, dated March 22, 1932, from Mr. Jenney to Mr. Swint, of the foreign relations department.

(The letter referred to was marked "Exhibit No. 1668" and appears in full in the text.)

Mr. LAMMOT DU PONT. Mr. Chairman, it is not being assumed that Mr. Irénée du Pont or I are agreeing with all the statements the secretary is making.

Mr. RAUSHENBUSH. I am identifying the statement.

The CHAIRMAN. The Chair understood the secretary was merely identifying the statement.

Mr. RAUSHENBUSH. If you have any comment to make on that, all right.

Mr. LAMMOT DU PONT. I have none.

Mr. RAUSHENBUSH (reading "Exhibit No. 1068"):

> It is a matter of common gossip in Germany that I.G. is financing Hitler. Other German firms who are also supposed to be doing so are Krupp and Thiessen. How much truth there is in this gossip we are unable to state but there seems to be no doubt whatever that Dr. Schmitz is at least personally a large contributor to the Nazi Party.

Can you identify Dr. Schmitz for us?

Mr. LAMMOT DU PONT. Dr. Schmitz is an official of the I.G. He has the position, I think, of treasurer or the director of their finances.

The CHAIRMAN. Mr. Raushenbush, who is the author of that communication?

Mr. RAUSHENBUSH. This is a member of the foreign relations department of the du Pont Co., writing to the head of the foreign relations department. We will have more on that later.

Mr. IRÉNÉE DU PONT. It was characterized as "gossip" in the letter.

Mr. RAUSHENBUSH. It was characterized as "gossip" in the letter. Do you remember any further communications concerning the question of the German chemical industry in its relations with the present administration of Germany?

Mr. LAMMOT DU PONT. I do not remember anything further?

Mr. IRÉNÉE DU PONT. I do not.

Mr. RAUSHENBUSH. We will come to that later.

Mr. LAMMOT DU PONT. That does not mean that there are none.

Mr. RAUSHENBUSH. It is understood that it does not mean there are none.

I offer for the record a letter dated June 20, 1922, from Mr. Crane to Mr. Pickard, in which he discussed the interest of the British Government in the Nobel group, and I call your attention to the comments here from Sir Harry McGowan.

(The letter referred to was marked "Exhibit No. 1069" and is included in the appendix on p. 2856.)

Mr. RAUSHENBUSH. The letter reads:

> The other day I was talking with Sir Harry McGowan, and we spoke of the British dyestuffs situation, though he is no longer a director of the company. Among the comments he made were the following:
>
> If the British made a deal with the Germans, du Pont interests could hardly be given special treatment in the matter, unless there was a definite undertaking on the part of Sir William Alexander that he was negotiating

> for us. The British Government would not weaken but were absolutely determined to see the company successful. The inevitable result would be an agreement with the Germans, for Sir Harry does not seem to think it possible that the British will be able to achieve technical success without the help of the Germans. Mr. Pickard ought to come right over to London, and the United States legislative situation is probably so well in hand that he could now come.

I call your attention also to the second paragraph on page 2, where it says [reading]:

> Sir William went on to say that he had seen von Weinberg and Oppenheim in Berlin a month ago, and their proposals were that the British company would limit its sales to the British Isles only, not the Empire, and give the Germans half of their profits in exchange for technical information. He told them emphatically that the British would not agree to such terms, but were ready to agree on prices throughout the world, and come to an understanding about competition. Duisberg was also to be called in if an agreement was in sight, but naturally there was nothing doing, and I presume that the Germans are simply biding their time until British Dyes will have to come to them again. Sir William went on to say that the British Government was going to back the enterprise up to the limit, favored an arrangement with the Germans, but were entirely opposed to any such terms as the Germans had in mind.

Mr. Swint, this is more in your department, I believe. Can you give us any further information on the connection between the British Government and the British chemical companies?

Mr. SWINT. I was not in London at that time, but I became familiar with the situation more or less through hearsay and through conversations that I had had there, and it was my definite understanding that the British Government had the intention to do just about what the letter said, to back the dyestuffs industry sufficiently to put it on a firm basis so that England would have a national dyestuffs industry.

Mr. RAUSHENBUSH. And has not the rather strong interest of the British Government in the chemical industry been evidenced and generally understood in later years as well?

Mr. SWINT. Possibly that is true as a general statement. I do not know of any specific acts which they have taken in the meantime. I believe they no longer have any financial interest in it.

Mr. RAUSHENBUSH. I offer for the record a letter from Irenee du Pont to Sir Harry McGowan in the early days, December 15, 1920.

(The letter referred to was marked " Exhibit No. 1070 " and is included in the appendix on p. 2858.)

Mr. RAUSHENBUSH. And I call attention to the second paragraph on the last page. [Reading:]

> It was suggested in the meeting that possibly in a short time relations with the German Nobel group would be reopened in a way which would make it desirable that they, too, share in the enterprise. What would you think of such an arrangement?

Mr. du Pont, would you identify the discussion as having to do with that?

Mr. LAMMOT DU PONT. What enterprise is that?

Mr. RAUSHENBUSH. I am asking Mr. du Pont to identify the discussion as having to do——

Mr. IRÉNÉE DU PONT. The Chilean enterprise. [Reading:]

> Am writing you this as a reminder of the point of view which I expressed to you and because it would seem to be a good opening to put in force the ideas that we were more or less together on in that discussion; i.e., the prospects

on the Chilean enterprise are not so splendid but that we could afford to permit the other companies to join in without heavy financial loss. I say this because I think and believe you were of the same opinion that we must build in order to prevent losing the trade of that country elsewhere; that the investment itself was not overattractive. Personally, I would rather have a 25-percent interest with Hercules and Atlas in than a 50-percent one with them out. I wonder if you were feeling the same way?

This was commercial explosives. [Continuing reading:]

It was suggested in the meeting that possibly in a short time relations with the German Nobel group would be reopened in a way which would make it desirable that they, too, share in the enterprise. What would you think of such an arrangement?

This is written you while the matter is fresh in mind, but I do not think we can come to any conclusions by letter and that the topic had best be discussed either when you are next in this country or when a suitable representative of our company is next in yours, according to which happens first.

That undoubtedly refers to the Chilean dynamite proposition.

Mr. Raushenbush. And brings out that even as far back as 1920 the idea of taking in other companies on the South American proposition was being discussed.

Mr. Irénée du Pont. It was commercial explosives, dynamite.

Mr. Raushenbush. I offer for the record a letter dated June 17, 1923, from Mr. Crane, European manager in London, to Mr. Haskell, simply to note the second paragraph.

(The letter referred to was marked "Exhibit No. 1071" and is included in the appendix on p. 2858.)

Mr. Raushenbush (reading):

He—

Mr. Mitchell—

reviewed the Czechoslovakian situation and said that Philipp of the Austrian Nobel Co., thought he had the concession from the Czechoslovakian Government and on his way to the Government offices to close the deal he met Leonard Smith coming out of the office with the signed concession in his pocket. You already know about the ownership of this Czechoslovakian explosive company and that the Austrians were taken in, but Mitchell explained to me the reasons for taking the Austrians in were primarily in payment for their plant which they turned over to the new company and secondly because they felt it would be desirable to work with Philipp in other eastern European countries, which has already been the case.

Although the German group is understood still to own control of the Austrian Nobels and to that extent Philipp is their man, yet the Nobels have never had any discussion with the Germans. All the negotiations have been carried on between Philipp and Leonard Smith.

In Hungary, Philipp secured the concession for a Government powder factory and has taken Nobels in 50–50—that is to say, the Hungarian Government retain 60 percent of the stock, Austrian Nobels have 20 percent, and Nobels Industries have 20 percent.

Philipp also secured the concession for the Government powder factory in Bulgaria. Mr. Mitchell could not give me offhand the details of this deal but I understand it was exactly the same as in Hungary. Work has already been started at the factories in both these countries.

I simply offer that to show that even in those days, 1923, it seems clear that Nobels shared some interest with the Germans and Austrians in Czechoslovakia and Hungary. Is there any comment on that?

Mr. Irénée du Pont. I do not see anything about the Germans, except that they had competition with the Germans, and I know nothing of it.

Mr. RAUSHENBUSH. It says:

> Although the German group is understood still to own control of the Austrian Nobels.

Mr. LAMMOT DU PONT. That part, apparently, is gossip.

Mr. RAUSHENBUSH. We can come back to that later. In connection with "Exhibit No. 1071" I offer for the record two letters from Mr. Crane to Mr. Haskell dated June 8, 1923, and January 30, 1923.

(The letter of June 8, 1923, was marked "Exhibit No. 1071–A" and appears in the appendix on p. 2859.)

(The letter of January 30, 1923, was marked "Exhibit No. 1071–B" and appears in the appendix on p. 2860.)

Mr. RAUSHENBUSH. I want to offer for the record a memorandum dated March 21, 1924, to the executive committee, from H. G. Haskell, vice president, and A. Felix du Pont, general manager, discussing du Pont's and Nobel's relationship.

(The memorandum referred to was marked "Exhibit No. 1072" and is included in the appendix on p. 2861.)

Mr. RAUSHENBUSH. I simply call attention to the footnote on the last page, which reads:

> In competing for Polish business we usually find ourselves in competition with M. Philipe, representing the Czechoslovakia company. We understand Philipe represents the Hamburg Nobels ownership of about 12 percent of the stock. The French company, sometimes spoken of as "LePlay", and the English Nobels own similar amounts, the three together approximating half ownership. The other half presumably belongs to Czechoslovakians. When orders for smokeless powder are obtained by this company, the explosives are usually supplied from Rorweil, Germany. In competing for Spanish business we meet a Spanish company in which the Nobels have a large interest, though presumably a minority one. We understand it is not customary for the English Nobels to themselves appear as sellers.

Simply showing that in 1924 the British Nobels are shown to have a part interest in the Czechoslovakia company, with its smokeless powder from Rorweil in Germany, following along the lines of Senator Vandenberg's examination the other day.

I offer for the record an exhibit entitled "Notes of conversations held at the Hotel des Indes at The Hague on October 15, 1924, at 2:30 p.m."

(The memorandum referred to was marked "Exhibit No. 1073" and is included in the appendix on p. 2863.)

Mr. RAUSHENBUSH. I call attention to the presence of representatives of Nobel Industries, Ltd., representatives of the German companies, and representatives of the Norwegian company, and to the character of their discussion. I do not want to read the whole letter. If you want to read it, that is all right.

Mr. LAMMOT DU PONT. This does not seem to be any of our affair.

Mr. RAUSHENBUSH. The du Pont Co. is mentioned at various places.

Mr. IRÉNÉE DU PONT. Where did this come from?

Mr. LAMMOT DU PONT. I think that this was a memorandum that was sent in to our office.

Mr. SWINT. I think that was a memorandum sent by Nobel to us for our information only.

Mr. RAUSHENBUSH. It seems to deal with relations between the Germans and British concerning a South American pool. I wanted to call attention then to the character of discussion between these gentlemen indicated on page 6:

> Toward the close of the meeting Mr. Richter produced a list of questions which are set out below, together with the answers which were given in each case:
>
> (*a*) Taking it for granted that du Ponts are to join the combine, can Hercules and other American companies be caused to adhere to the prices.
>
> This has already been dealt with above.
>
> (*b*) Can the Norwegian company bring influence to bear upon the Swedish company to abstain from competition?
>
> It was held that this was a matter for the Norwegian company to deal with.
>
> (*c*) Will the French abstain from competing as they did during the time of the Hota? Can the same be guaranteed with regard to the Belgian works?
>
> The Nobel representatives expressed the view that no insurmountable difficulty would be met with in obtaining the adhesion of the French and Belgians to any understanding, but they felt that the time was not opportune to approach either of these competitors.
>
> (*d*) Are the new Dutch works likely to come into the combine?
>
> The Dutch works are a very small producer, destined to supply the State mines in Holland, and it was held to be unlikely that they had an eye on export business, and that consequently no approach should be made at this stage.
>
> (*e*) How can the competition of the Westfälish-Anhaltische be avoided, who are sure to make excessive claims?
>
> (*f*) What about the lignose, the Bayerische, and the Gnaschwitz Sprengstoffwerke, who have tried several times to gain a footing with their Ammon-Calucit?
>
> It was pointed out that it was for the German concerns to settle their own internal arrangements, and Dr. Aufschläger proposed to take up the matter with his German competitors at an early stage. In the course of the discussion Mr. Richter referred to the possibility of satisfying the Westfälisch-Anhaltische by giving them orders, and this is to be explored.
>
> (*g*) Are the English competitors who are not under the control of Nobel Industries likely to also become competitors in markets abroad?
>
> Sir Harry stated that he anticipated no difficulty in dealing with the small U.K. concerns not under Nobel control.
>
> (*h*) Is there any prospect of bringing the Japanese factories, both the private company, Nippon Kayaku Kaisha, and the Government works, Iwahana, into line?
>
> It was recognized that the situation in Japan presented exceptional difficulties. Sir Harry threw out the suggestion that it might be considered whether an endeavor should be made to bring about an understanding with the Nippon Kayaku Kaisha in the form of a financial merger. The German representatives undertook to think this over.

Mr. Irénée du Pont. That all pertains to commercial explosives, does it not, Mr. Secretary? I did not follow the context, not knowing just where it came from, but it sounds like commercial business and not military business.

Mr. Raushenbush. The answer is not quite clear. It says, on the second page: " High explosives manufacture appears to be mainly in the hands of three groups ", which it then lists.

The letter was introduced simply to show the character of the dividing-up-the-world idea which the representatives of the British, Germans, and Norwegians seemed to be engaged in.

Mr. Irénée du Pont. High explosives are usually considered to be dynamite, in contradistinction to black powder, which is not a high explosive.

Mr. Raushenbush. You are in competition with the Germans not only in regard to commercial explosives but nowadays also somewhat in competition with military goods, are you not?

Mr. Lammot du Pont. No.

Mr. RAUSHENBUSH. I thought during Senator Vandenberg's examination the fact was brought out rather clearly that the Germans had taken away Turkish orders from you in military explosives.

Mr. LAMMOT DU PONT. I thought they were supposed not to be shipping military powder.

Mr. RAUSHENBUSH. That was the whole point of the examination, that they had taken away such orders.

Mr. SWINT. Mr. Raushenbush, this memorandum does refer exclusively to the industrial explosives, and does not concern dividing up the world, but relates solely to South America.

Mr. RAUSHENBUSH. Dividing up South America and getting the various companies in?

Mr. SWINT. Not dividing it up.

Mr. RAUSHENBUSH. Making a pool about it.

Mr. SWINT. Finding a means to promote the interests of these particular companies as in distinction to other competitors.

Mr. RAUSHENBUSH. I think that is quite a correct statement. This is a sort of an arrangement for a South American pool.

Mr. SWINT. It is an economic method of selling.

Mr. RAUSHENBUSH. The only purpose for which the exhibit was introduced was to show the extensive interests across national lines of these companies. That is, in commercial lines; that does not necessarily mean that it has no relation to the financial welfare of those companies which may also be engaged in military business.

Mr. SWINT. That is true, but military explosives were later specifically excluded from the arrangement that was made.

Mr. RAUSHENBUSH. Certainly, Mr. Swint, the success of a company's commercial explosives business does have some relation to its ability to stay in business and also produce military powders, does it not, a very tremendous amount?

Mr. SWINT. A very tremendous amount, because the amounts concerned are about 10 to 1, or greater than that.

Mr. RAUSHENBUSH. That was the only point there.

I introduce for evidence a letter from Irénée du Pont to Walter S. Carpenter, in London, dated November 21, 1924, simply to call attention to the idea expressed at the top of the second page, as early as 1924, of acquiring an interest in a certain German company, namely, Goswig, which was a Stinnes interest.

(The letter referred to was marked "Exhibit No. 1074" and is included in the appendix on p. 2866.)

Mr. RAUSHENBUSH. I read the first paragraph on the second page:

> I was just as much surprised as you to find what the German situation is with respect to their own internal competition and it struck me right off the bat that it would be useless to make much of an arrangement with the German Nobels leaving out half of the German capacity under control of Goswig and others. My idea was, as you have correctly gathered, to acquire an option at some price on Goswig, with an idea that we could then first use it as a lever on the German Nobels for satisfactory terms, and second, combine the two competing organizations so as to get greater economy in manufacture and eliminate needless competition.

It shows, does it not, that in 1924 you had thought of purchasing an interest in German companies?

Mr. IRÉNÉE DU PONT. This was commercial explosives, no military.

Mr. LAMMOT DU PONT. And the suggestion was not carried out.

Mr. RAUSHENBUSH. The suggestion was not carried out.

I offer for the record a paragraph taken from report to the finance committee by the treasurer, W. S. Carpenter, Jr., dated October 2, 1925, again discussing the possibility of investing in German companies. I do not particularly want to read that, unless you do.

(The memorandum referred to was marked "Exhibit No. 1075", and is included in the appendix on p. 2867.)

Mr. LAMMOT DU PONT. I would like to point out what that is talking about. I think that refers to the purchase of a stock interest in some German company.

Mr. RAUSHENBUSH. That is all that was intended to be noted.

I want to offer for the record a paragraph from report from H. McGowan to the directors of Nobel Industries, Ltd., dated September 14, 1925.

(The report referred to was marked "Exhibit No. 1076", and is included in the appendix on p. 2867.)

Mr. RAUSHENBUSH. This discusses the relations of Nobel and the Germans. I call attention in the light of Senator Vandenberg's examination the other day to the sentence in the middle:

> Further, agreement has been reached that they will refrain from doing anything likely to prejudice the interests of the various companies in which we are interested in the Balkan States. All these undertakings will, I am sure, subsequently strengthen our position in the various export markets and will enable us to make our business there far more remunerative than would be possible in competition. Another important aspect which should not only improve the financial return to the German companies themselves but have a beneficial effect on our foreign trade, is that they have now come to agreement with their German competitors for a quota allocation of the home trade, and as a direct outcome of this there is every hope that we shall be able to induce those competitors to refrain from, or restrict their activities in, competition with us.

Mr. IRÉNÉE DU PONT. You should state on that, should you not, that this is purported to be a report from Sir Harry McGowan to the directors of the Nobel Industries, Ltd., not a du Pont document?

Mr. RAUSHENBUSH. That was stated at the beginning, Mr. du Pont.

At this time, on January 1, 1926, did you not sign a gentleman's agreement between yourselves and D.A.G. and Köln Rottweiler, which was introduced in the record before as "Exhibit No. 512."[1] Is that not correct?

Mr. SWINT. No; we did not sign that.

Mr. RAUSHENBUSH. Was it not in effect as a gentleman's agreement beginning January 1, 1926?

Mr. SWINT. It was in effect; yes.

Mr. RAUSHENBUSH. Beginning January 1, 1926?

Mr. LAMMOT DU PONT. It was not an agreement in effect, though.

Mr. RAUSHENBUSH. What is the difference between a gentleman's agreement and an agreement not in effect?

Mr. LAMMOT DU PONT. I do not know. This was not an agreement, because there were not two parties to it, as I understand it.

Mr. RAUSHENBUSH. Let us understand that, if you will, Mr. du Pont. Mr. Swint seems to be testifying that that understanding was in effect. Do I take it that you are denying that testimony?

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[1] Hearings, Part V, p. 1203.

Mr. Lammot du Pont. My understanding of the facts is that this draft was drawn up and the two parties to the proposed agreement stated that the draft was satisfactory and that is all.

Mr. Raushenbush. Is that all you understand about that, Mr. Swint?

Mr. Swint. I would say that Mr. Lammot du Pont's sum-up of that is correct, with the addition that the provisions of the agreement are being carried out when it suits either of the parties to do so.

Mr. Lammot du Pont. There is no agreement to carry out the provisions.

Mr. Swint. There is no agreement to carry out the provisions, and no one feels any obligation to do so.

Mr. Lammot du Pont. Therefore it is not an agreement of any kind, as I understand it.

Mr. Raushenbush. It is described at the top as "unsigned—in effect as gentlemen's agreement." I believe in your testimony last September you described, Mr. Lammot du Pont, a gentleman's agreement as an agreement one could also get out of. Do we understand that this has weight or does not have weight in your dealings with the Germans?

Mr. Lammot du Pont. I do not know what you mean by "having weight." Do you mean, are we bound by this document?

Mr. Raushenbush. Are you guided by it?

Mr. Lammot du Pont. We are guided by it; yes. We are not bound by it.

Mr. Raushenbush. That document resulted from a rather long series of negotiations, did it not?

Mr. Lammot du Pont. I do not know how long they were.

Mr. Raushenbush. Over a period of some years?

Mr. Lammot du Pont. Possibly.

Mr. Raushenbush. At the same time, in 1926, is it not correct that you and D.A.G. and Nobel together owned Explosives Industries, Ltd., operating in South America?

Mr. Lammot du Pont. In 1926?

Mr. Raushenbush. 1926.

Mr. Lammot du Pont. I think that is right.

Mr. Swint. Yes.

Mr. Raushenbush. In 1926, at about the time of the discussion of this question of Germany's rearming, which was discussed the other day and which we are approaching now, the relationship between the British and Germans was described in a report from Mr. Swint to Mr. Crane of Lazote, dated December 17, 1926, which I offer for the record.

(The letter referred to was marked "Exhibit No. 1077", and is included in the appendix on p. 2868.)

Mr. Raushenbush. I call attention to the last paragraph on the first page:

> Sir Harry—

Meaning Sir Harry McGowan, I take it?

Mr. Lammot du Pont. Yes.

Mr. Raushenbush (reading):

> Sir Harry explained that the formation of I. C. I. is only the first step in a comprehensive scheme which he has in mind to rationalize chemical manufacture of the world. The details of such a scheme are not worked out, not

even in Sir Harry's own mind, but the broad picture includes working arrangements between three groups—the I. G. in Germany, Imperial Chemical Industries in the British Empire and du Ponts and the Allied Chemical & Dye in America. The next step in the scheme is an arrangement of some sort between the Germans and the British. He appreciates fully, or at least he says he does, the supreme difficulty in the way of the final step, namely the personality of the management of the Allied Chemical & Dye.

I skip to the last page.

Mr. SWINT. I think it might be proper to read the very last sentence.

Mr. RAUSHENBUSH. Will you do that?

Mr. SWINT (reading):

> By this he does not mean exchange of shares so that each company will own part of the shares of the other two. Just what he has in mind I could not learn, and it is possible that the thing is too intangible at present for him to express it.

Mr. RAUSHENBUSH. Then, going to the last page, I read the following, and will you put in anything which I do not think is important and you do:

> The only ominous note in our whole conversation was his final word that he would see to it that no hostile steps against the du Pont Co. were taken by I.C.I. or any combination which they might arrange with the Germans without telling us of it beforehand. He repeated this twice. This is perhaps capable of several interpretations, but to me personally it indicates that while he will do everything reasonably possible to maintain his friendship with us, nevertheless if the interests of the larger scheme demand it, he will regretfully accept the principle of the greatest good for the greatest number.

This is introduced, Mr. Swint, simply to indicate that the British were in very close negotiation with the Germans at the time. Is not that your impression?

Mr. SWINT. Yes that is my impression, and I think it was principally on nitrogen and dyestuffs.

Mr. RAUSHENBUSH. Nitrogen and dyestuffs. The next paragraph goes on:

> In the course of our conversation, I mentioned our joint financial interests in various companies and expressed the belief that I.C.I.'s interest in General Motors would exceed their holdings in Allied Chemical. Personally, I was a little in doubt about this but, strictly speaking, I find it is true. Sir Harry did not know the extent of their holdings in Allied, but he believed that Brunner, Monds, together with Belgian Solvay, held about 25 percent of the total common stock of the Allied Chemical & Dye Co.

May I interrupt to ask, can the Allied Chemical & Dye be identified as a large competitor of yours in certain fields?

Mr. SWINT. Yes.

Mr. RAUSHENBUSH. I go on:

> This agrees with my impression. The figures which I have understood to be true were that Brunner, Monds held 100,000 shares and Belgian Solvay 400,000. I have always supposed, rightly or wrongly, that these two together could be considered as a unit so far as any influence they might exert on the conduct of affairs in Allied Chemical. I may be quite wrong about this, but at the first chance I shall try to find out just what the relationship between Brunner, Monds, and the Belgian Solvay is. Nobels' present holding in General Motors is 150,000 shares. Taking the par value of their investment in General Motors, together with the par value of their investments in C.X.L., Northern Giant, the Chilean Explosives Co., and Nobel Chemical Finishes, Ltd., this gives a total of approximately $25,000,000, i. e., I.C.I. will inherit from Nobels' investments to the extent of $25,000.000 in companies which are very closely associated with the du Pont Co. If we consider Belgian Solvay and Brunner

> Monds as a single group, the corresponding figure for I.C.I.'s interest in Allied would be $50,000,000. If the relationship is not so close, I.C.I.'s interest alone would be $10,000,000; all of the above at parity.

So I take it there, Mr. Swint, that the purport of this was to indicate that the British and Belgian Chemical interests had a large stock ownership in your competitor?

Mr. SWINT. Yes. You see, Mr. Raushenbush, Imperial Chemical Industries had just been formed. We had had close relationships with Nobel for 30 or 40 years. We did not know what influence on that relationship between du Pont and Nobel the formation of Imperial Chemical Industries would have. This is simply an attempt to indicate to my people at home the reactions I got in discussing the matter with Sir Harry McGowan.

Mr. RAUSHENBUSH. Have you had any reason to believe this general situation of holdings has changed to make the essential relationships different at this time?

Mr. SWINT. No; I have not. I do not know that those figures are accurate today at all.

Mr. RAUSHENBUSH. Then I wish to call attention to and enter for the record a report from Colonel Taylor dated November 3, 1926, to Major Casey, simply to call attention again in passing to remarks similar to those discussed by Senator Vandenberg the other day.

(The report referred to was marked "Exhibit No. 1078", and is included in the appendix on p. 2870.)

Mr. RAUSHENBUSH (reading):

> Mr. Marquardt of the Hamburg Nobel had a conversation with Nobel in which he asked them if they would not do something to guard what they called their international position in explosives in the case of their beginning the sale of military explosives, and the Nobel people said that they were willing to maintain their attitude, that there was nothing in their agreement that entitled the Germans to any consideration as regards their military material position. They therefore wrote to Mr. Marquardt telling him so. I have not a copy of their letter, but I have a copy of Mr. Marquardt's answer which I enclose. Nobel, however, say that in case the Council of the League officially permits Germany to reenter the manufacture and export of military material that they will have to reconsider the whole business including their relations with the Germans and their relations with us on the continent regarding military material. This is a very serious matter and our officials who deal with such matters should prepare themselves to the eventuality of having to reconsider these various agreements in the case of the Germans becoming fully authorized by the League of Nations to reenter the field of the manufacture and export of military material. Not being familiar with the matter, I can offer no suggestions except to report the reaction our conversations with the Germans and Nobels have on my business as mentioned in paragraph 18. While nothing has been said, I think that Nobel feels that it may be necessary for both du Pont and Nobel to withdraw from the military field in Europe when Germany is released by the League.

Can you identify Mr. Marquardt when they speak of the Hamburg Nobel?

Mr. SWINT. Mr. Marquardt was the export manager of D.A.G.

Mr. RAUSHENBUSH. That is D.A.G., which has now come to Nobel, apparently, with a proposition on military explosives. And D.A.G. was also the same company that was interested with you in commercial explosives in South America?

Mr. SWINT. Yes. Mr. Marquardt was also a director of Explosives Industries, Ltd.

Mr. RAUSHENBUSH. He was also an English director?

Mr. SWINT. No. He was a director of Explosives Industries, Ltd.

Mr. RAUSHENBUSH. The South American company?

Mr. SWINT. That is right.

Mr. LAMMOT DU PONT. I did not gather that Mr. Marquardt came to Nobel with a proposition on military explosives, because this says when the Versailles Treaty is modified the whole thing will have to be reconsidered.

Mr. RAUSHENBUSH. I call attention to the first four lines of that paragraph:

> Mr. Marquardt of the Hamburg Nobel—

which you have identified as the D.A.G. in this case—

> had a conversation with Nobel—

Which I take it is the English Nobel—

> in which he asked them if they would not do something to guard what they called their international position in explosives in the case of their beginning the sale of military explosives.

Mr. LAMMOT DU PONT. I think their position in explosives means commercial explosives, does it not, in case they are beginning the sale of military explosives.

Mr. RAUSHENBUSH. Then their position in other explosives is to be guarded, is that it?

Mr. LAMMOT DU PONT. I suppose so. I do not know, though. I did not have anything to do with it.

Mr RAUSHENBUSH. The difference does not accentuate at all one way or the other the point for which it was introduced, to show a very close relationship between the British and the Germans in these very days when the re-armament of Germany and that Turkish matter came up.

I want to offer for the record a report from H. G. Haskell and A. Felix du Pont to the executive committee, dated December 22, 1926, simply to call attention to the last paragraph [reading]:

> In the event of the embargo under the Versailles Treaty on the export of propellants and military ammunition from Germany being partially or wholly removed, this arrangement to be reviewed.

The arrangement there apparently deals with du Pont-Nobel cooperation on sales of military propellant powders and explosives. It is simply calling attention to the continued importance of the German element in the situation.

(The memorandum referred to was marked "Exhibit No. 1079", and is included in the appendix on p. 2872.)

Mr. RAUSHENBUSH. I would like to offer for the record a letter signed by Mr. Mitchell, from Nobel House, London, to Mr. Lammot du Pont, which indicates the same situation.

(The letter referred to was marked "Exhibit No. 1080", and is included in the appendix on p. 2873.)

Mr. RAUSHENBUSH. I read the paragraph marked "2":

> Many hold the opinion that it will not be long before Germany, as regards armaments, will be put on identical terms with the other signatories to the Locarno agreement; it therefore may be that at some future date we may want to collaborate with them in propellant business as we do on industrial explosives.

Mr. RAUSHENBUSH. These relationships, Mr. du Pont——

Mr. LAMMOT DU PONT. Did you pull our answer to this?

Mr. RAUSHENBUSH. I don't remember. We have one further comment on it a little later in the same year.

The letter begins [reading]:

> Our German friends have been advised by their agents in Valparaiso that the Government are issuing inquiries for the erection of a TNT factory in Chile. It is not quite clear yet whether the Germans are aware that the whole question of propellants is being examined by the Chilean Government, but I should say that they do know. At any rate they ask us what we know of the matter and therefore we must show our hand to some extent in answering them.

Mr. SWINT. The whole point of that, Mr. Raushenbush, is that this was a letter, the subject of which was the possibility of the Germans participating in the building of a plant in Chile, and these other matters are incidental.

Mr. RAUSHENBUSH. All these letters are simply introduced—and I thought they would be accepted without question—as showing the close tie-up between various companies and rather involved interests in the Balkans and elsewhere on the part of the I.C.I. during the time when the question of German armament and disarmament was up.

Mr. SWINT. To the best of my knowledge, Mr. Raushenbush, the du Pont Co. has never discussed military explosives with any of the German companies, with regard to the sale of military explosives.

Mr. LAMMOT DU PONT. This correspondence does not show a very close relation between the du Pont Co. and the I.G. or D.A.G. or any of the German companies. All of these letters you refer to refer to negotiations or conversations or discussions between Nobel and the German companies.

Mr. RAUSHENBUSH. We thought that agreement, unsigned gentlemen's arrangement, or whatever you want to call it——

Mr. LAMMOT DU PONT. Properly called a "draft of agreement."

Mr. RAUSHENBUSH. Draft of agreement, which guides you in your dealings——

Senator CLARK. It was put into effect, was it not?

Mr. LAMMOT DU PONT. What do you mean, Senator?

Senator CLARK I recall in the September hearings you said in spite of the fact that the contract had never been signed, it had been put in effect.

Mr. LAMMOT DU PONT. I don't think I said that, Mr. Senator. If I did say it, I do not think I was very accurate. When is an agreement in effect? When it is executed, obviously. And that was never executed.

Senator CLARK. It was never executed, but you were proceeding under the agreement, according to the testimony.

Mr. LAMMOT DU PONT. It was a draft of an agreement which appeared to be satisfactory to both sides but which was not executed and was therefore not in effect, and by which we have been guided.

Senator CLARK. You testified before that you operated under the agreement.

Mr. LAMMOT DU PONT. I do not know whether you call it operating under an agreement or not.

Senator CLARK. I am just referring to your testimony in that regard.

Mr. LAMMOT DU PONT. I maintain it cannot be an agreement, unless it is executed.

Senator CLARK. You have a verbal agreement?

Mr. LAMMOT DU PONT. It is not a verbal agreement. It is a draft.

Senator CLARK. You have an unsigned contract and at the same time operate under it. As a legal proposition we all understand that.

Mr. LAMMOT DU PONT. We did not agree with the other party to be bound by it. I maintain, therefore, that it is not an agreement.

Senator CLARK. What is your course of conduct?

Mr. LAMMOT DU PONT. I maintain it is a draft of an agreement—it was not executed—by which our operations are to some extent guided.

Mr. SWINT. It was a tender under which we feel no obligations. We may fulfill the provisions of the agreement or not, as we choose, and the Germans feel the same way about it.

Senator CLARK. You have actually fulfilled the provisions of the agreement, haven't you?

Mr. LAMMOT DU PONT. I think we have, to date.

Mr. SWINT. To the extent of information obtained on plant visits.

Mr. LAMMOT DU PONT. But I would have no hesitation at all in saying that tomorrow we might violate the draft.

Senator CLARK. I understand that, and that was your testimony before, but you did testify that you did operate under that agreement, even though it was not signed.

Mr. LAMMOT DU PONT. We operate in accordance with it today.

Senator CLARK. I realize you are not bound by it, as you have said.

Mr. RAUSHENBUSH. The point being made here, it seems from this testimony, is simply that there were close connections between the British and the Germans and, to some extent, yourself, with the British at least, during the years when Germany or the German powder companies were exerting some influence to get back into the military market. The extent of this agreement will probably be a matter of opinion, but I offer as an exhibit for proper numbering a letter dated November 7, 1928, rather a memorandum, signed by J. K. Jenney, to Mr. O'Gorman of the smokeless powder department, headed, "Chile Military Factory."

(The memorandum referred to was marked "Exhibit No. 1081", and appears in full in the text.)

Mr. RAUSHENBUSH. This reads:

> The minutes of the meeting of October 12 with Sir Harry McGowan state that the Germans had turned down the 15-percent participation offered to them in the C.S.A.E.

What is that?

Mr. SWINT. Compania Sud American de Explosivos.

Mr. RAUSHENBUSH. That was a Chilean explosive company?

Mr. SWINT. Dynamite.

Mr. RAUSHENBUSH. Proceeding with this [reading]:

> In this connection Sir Harry stated that Dr. Mueller had taken this action for lack of capital. In spite of the fact that his company is controlled by the I.G. he apparently was not anxious to call on them to finance the project for him. He has agreed, however, not to bid against I.C.I. and duPont for the military factory. It is my recollection that Sir Harry stated that the Germans would offer a dummy bid.
>
> It was not considered desirable to include the whole story in the minutes. I have previously orally informed Major Casey and Mr. J. T. Brown.

That shows that by that so-called "dummy bid" that is reported, there is some close cooperation?

Mr. SWINT. That sounds a little mysterious, but it is not. At that particular time the Germans were quite short of cash. We offered them this participation in the dynamite factory in Chile, and they told us they felt they could not afford it at the moment, did not have the money to put into it.

The question of building a military factory, as they recognized, was bound up to some extent with the commercial plant, because the requirements of Chile were so small they could not possibly build an economical unit there and produce military explosives at a reasonable cost. The fact there already existed a dynamite plant, some of the facilities of which, such as the acid manufacture, could be used for the manufacture of military explosives, gave the firms who had the investment in the dynamite factory an advantage in bidding on the military factory.

The Germans did not want to be, so they said, placed in the position of refusing to bid, and perhaps thereby incurring some little enmity from the Chilean Government, so they followed the course outlined here.

Mr. RAUSHENBUSH. And they put in a dummy bid?

Mr. SWINT. They put in a dummy bid; yes.

Mr. RAUSHENBUSH. I offer for introduction a letter to Mr. Pickard from Mr. Crane, dated December 26, 1928.

(The letter referred to was marked "Exhibit No. 1082", and is included in the appendix on p. 2874.)

Mr. RAUSHENBUSH. The heading of this memorandum is, "I.G. Nitrogen Plans in United States", and starting at the beginning I read:

> This will confirm our cable of December 22.
>
> Mr. Burton, president of the American Agricultural Chemical Co., recently told me that there would be a third large synthetic ammonia plant in this country as foreign interests were going to build a plant and had already arranged for the necessary financing. Mr. MacDowell, president of the Armour Fertilizer Works, has just told me that the I.G. are going ahead with a synthetic ammonia plant, not from natural gas, but located in the coal fields, and he appeared to have received this information from Mr. Krauch or Mr. Schneider, who as you know have been over here. Carl Peters has given out an interview that the I.G. are considering building a synthetic ammonia plant in the United States in alliance with a powerful industrial group who are not now engaged in nitrogen fixation.
>
> These statements were sufficiently affirmative to make us think that a United States plant is again receiving serious consideration by the I.G., and it is bad news. My feeling is that ultimately we will by our own efficiency stand on our own feet and not be fearful that a second large competitor will become established in the ammonia field, but that during the next 2 or 3 years there is grave danger of increased competition which once established would always have to be dealt with, and that we should do everything we can to keep the I.G. from coming in.

Can you explain that at all, Mr. Swint, or does that explain itself?

Mr. LAMMOT DU PONT. I think I was connected with this—these things that are mentioned—but I do not know just what you want explained.

Mr. RAUSHENBUSH. The I.G. at this time did have the idea of building an ammonia plant in this country, did it not?

Mr. LAMMOT DU PONT. This states that that was reported from several sources.

Mr. RAUSHENBUSH. Do you know whether that is a correct report, or what?

Mr. LAMMOT DU PONT. They have not built one yet.

Mr. RAUSHENBUSH. No; but do you know whether it was generally and very seriously considered by your company, that they might so do.

Mr. LAMMOT DU PONT. It was so reported to us.

Mr. RAUSHENBUSH. And frequently?

Mr. LAMMOT DU PONT. As this states, we thought the report was sufficiently affirmative to make us think that a United States plant was again receiving serious consideration.

Mr. IRÉNÉE DU PONT. Is not that answered in the next paragraph?

Mr. LAMMOT DU PONT. That is Bosch's statement.

Mr. IRÉNÉE DU PONT. He is head of the I.G.?

Mr. LAMMOT DU PONT. Yes.

Mr. IRÉNÉE DU PONT. I think he ought to know something about what he intends to do.

Mr. LAMMOT DU PONT. He said the building of additional ammonia plants anywhere was foolishness, that is, their building them. In other words, we had a variety of reports on the subject and we had to guess what was right.

Mr. RAUSHENBUSH. He points out that [reading]:

> If they are seriously considering an ammonia plant in the United States, it is absolutely inconsistent with their declared policy a year ago. The overproduction that they spoke about then seems even more sure now to be in process of realization.
>
> You will recall that the upshot of our negotiations with the I. G. a year ago was that we could not get together on the control of the enterprise, particularly as affecting the size of the plant and that they proposed to hold the whole matter in abeyance and see us again in May of this past year, which they did not do.

The only point for which I am offering this in the record is that the I. G. apparently—and this is only one of several letters—did have that possibility in mind, and it was seriously considered by the company.

Mr. LAMMOT DU PONT. I think that was true.

Mr. RAUSHENBUSH. And those negotiations or that idea of theirs was discussed not only in 1928, as indicated in the second paragraph, but in 1927, as indicated in the fourth.

Mr. LAMMOT DU PONT. You pulled the report of that 1927 discussion, did you?

Mr. RAUSHENBUSH. Did we enter it?

Mr. LAMMOT DU PONT. No, you have not offered it yet.

Mr. RAUSHENBUSH. I offer for the record a letter from Bickford & Co., A. G., London Office Nobel Industries Ltd., Nobel House, the letter being from Vienna, dated July 9, 1928, to Colonel Taylor, discussing the Bulgaria Powder Factory, which has some interest.

(The letter referred to was marked "Exhibit No. 1083" and is included in the appendix on p. 2875.)

Mr. RAUSHENBUSH. This reads:

> DEAR COLONEL TAYLOR (Bulgaria Powder Factory): Replying to your question of July 5, I should like to say that Nobel Industries, in view of the small size of its powder factory desired by the Bulgarians and the consequent small amount of profit to be made out of erecting a factory, did not consider it worth all the work and risk that would be entailed, except perhaps as a means of obtaining interim powder orders during the building period. These interim powder orders, which might run to about 80 tons p.a., cannot be guaranteed by the Bulgarian War Office, because it has to seek permission every time it wishes

> to import. Nevertheless, they are likely to be given to the people contracting to erect the factory.
>
> There was a further reason why we did not wish to hand in an offer for the powder factory, and that is that for us to erect a military powder factory in Bulgaria would have seriously prejudiced our chances of succeeding in our negotiations for the industrial explosives monopoly in Jugoslavia.

Does not that part of the letter indicate fairly clearly, that last paragraph, that in the Balkans, at least, the commercial interests and the military interests of Nobel's have to be considered side by side? Here they did not want to bid on a Bulgarian powder factory because it "would have seriously prejudiced our chances of succeeding in our negotiations for the industrial explosives monopoly in Jugoslavia."

Mr. Lammot du Pont. I would not like to venture any opinion on what Nobel's have to do with respect to their internal affairs.

Mr. Raushenbush. In their own statement here, of Bickford, which is one of their subsidiaries, they are certainly stating that proposition, if that letter stands examination.

Mr. Lammot du Pont. They are entitled to their opinions and statements, but I would not like to venture an opinion on the subject.

Mr. Raushenbush. In view of the fact that this letter was written in Vienna in 1928, at a time when this German question was up, as indicated in the previous examination, the following paragraph becomes of importance. [Reading:]

> My energies, therefore, were directed toward getting somebody else to tender for the erection of the factories and on the understanding that if they were successful they would endeavor to stipulate that the interim orders be passed to them for execution by us. I was successful in this respect, but it meant our undertaking to finance the Köln-Rottweiler-Bratislava proposition in return for a third share of the profits (if any) made on the erection of the factories. I think you must agree that this is the best arrangement that could be made in the circumstances.

The interpretation, subject to comment which can be put on this very clearly, is that they were taking in the German firm Köln-Rottweiler, which was the very one indicated the other day as having gotten the Turkish order, military order.

Mr. Swint. That I think, is not the German firm itself. It is probably controlled by the German firm, but it is one of the subsidiaries of theirs in the Balkan countries.

Mr. Raushenbush. Yes, the Köln-Rottweiler interests have apparently taken in this Bratislava thing.

In 1928 we find an exhibit entered in the earlier hearings, "Exhibit No. 461", that I.C.I., the British interests, which was discussed so often, had a list of investments and foreign alliances, and I wish to call attention simply to the existence on that list of a considerable number of companies in the Balkans.[1]

In 1926 the close relationships between Nobel and Köln-Rottweiler were described in the exhibits entered by Senator Vandenberg under the head of numbers "856" and "857", and I call attention to them here again, or certain portions of what they say, simply in the long line of business negotiations between the British and Germans which seem to have been going on during the years.[2]

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[1] Hearings, Part V, p. 1083.

[2] Hearings, Part IX, pp. 2181 and 2189.

It was on October 7, 1926, that Taylor took up this matter of German armaments reported to him by a representative of the Czechoslovakian company and said [reading]:

I am going to talk to Nobel about it in England, next week. I do not know all the details of Nobel's arrangement with the Hamburg Nobel Dynamite Co. We have also been in relation with them through Nobel and our London office, but I think it will be a great shame if our industrial relations with the German explosive industry were of such a type that we would wink at their violation of the treaties or permit them to enter the military export business. I will keep in touch with this matter and inform you further.

I call attention also in this connection to the letter of November 5, 1926, from Major Casey to Colonel Taylor, identified and discussed the other day as "Exhibit No. 857", in which Major Casey says on the first page, fourth paragraph [reading]:

You are quite correct in your analysis of the situation. We believe Nobel could actually prevent Koln-Rottweiler or other German concerns from entering the military powder business providing they saw fit to bring pressure to bear through English Government channels.

Mr. Lammot du Pont. That is Colonel Taylor's opinion.

Mr. Raushenbush. That is Major Casey's opinion in this case.

Mr. Lammot du Pont. Or Major Casey's.

Mr. Raushenbush. Yes. It was in 1926 that this gentlemen's agreement we have had some discussion about was signed, was it not, a little before these letters—or not signed, or initialed, or what have you?

Mr. Lammot du Pont. I do not know of any gentlemen's agreement.

Mr. Raushenbush. Now it is not a gentlemen's agreement any more. It was a few moments ago.

Mr. Lammot du Pont. I referred to it as a draft of an agreement.

Mr. Raushenbush. A draft of a gentlemen's agreement.

Mr. Lammot du Pont. A draft of an agreement.

Mr. Raushenbush. The reading at the top of that agreement says, "Unsigned gentlemen's agreement."

Mr. Lammot du Pont. Somebody added that in pencil, if I remember correctly.

Mr. Raushenbush. That was in existence before these letters of October and November were exchanged and before Colonel Taylor made the remark:

I think it will be a great shame if our industrial relations with the German explosive industry were of such a type that we would wink at their violation of the treaties or permit them to enter the military export business.

Mr. Lammot du Pont. Colonel Taylor does not refer to that draft, does he?

Mr. Raushenbush. What draft? No; I am referring to it.

Mr. Lammot du Pont. Yes.

Senator Pope. Mr. Raushenbush, were those pencil notations on there at the time you first received the paper?

Mr. Raushenbush. I so believe.

Mr. Lammot du Pont. I think that is correct.

Mr. Raushenbush. Yes; now I am calling attention to the connection in dates. He refers to—

Our industrial relations with the German explosive industry were of such a type that we would wink at their violation of the treaties or permit them to enter the military export business.

That agreement, or what we will call that draft, whatever it was, was supposed to expire in 1935, was it not?

Mr. SWINT. I do not recall.

Mr. RAUSHENBUSH. Do you recall, Mr. du Pont?

Mr. LAMMOT DU PONT. It was dated 1926, was it not? It ran for 10 years. I presume that would make it expire at the end of 1935.

Mr. RAUSHENBUSH. Has that arrangement been extended since that time? Have you had another meeting about that?

Mr. LAMMOT DU PONT. I do not think we ever had another meeting when that draft was discussed.

Mr. RAUSHENBUSH. Is that still the guiding document in your relations with the German explosives companies, or has that been superseded?

Mr. LAMMOT DU PONT. There is no agreement in effect with the German explosives companies now at all, and I think there has not been since 1926.

Mr. RAUSHENBUSH. Let us come back to this guiding draft, calling it that, that has been in effect to the extent you wish to observe it, hasn't it?

Mr. LAMMOT DU PONT. We have been guided by it.

Mr. RAUSHENBUSH. You have been guided by it?

Mr. LAMMOT DU PONT. Yes. That is what I answered, to an extent.

Mr. RAUSHENBUSH. I am asking, has it been changed? Have you made any further change?

Mr. LAMMOT DU PONT. Not that I know of.

Mr. RAUSHENBUSH. Did you have some meetings with these groups in October and November of this year?

Mr. LAMMOT DU PONT. I did not.

Mr. RAUSHENBUSH. The company did not?

Mr. LAMMOT DU PONT. I do not know whether some of our foreign representatives did or not. Do you know, Mr. Swint?

Mr. SWINT. Members of our London office see those men frequently.

Mr. RAUSHENBUSH. No; I meant to revise this thing?

Mr. SWINT. No.

Mr. RAUSHENBUSH. There have been no such meetings?

Mr. SWINT. No.

Mr. LAMMOT DU PONT. There has been no revision of that draft, I am sure.

Mr. RAUSHENBUSH. All right.

Senator POPE. Is there a time for the expiration of that draft, Mr. du Pont?

Mr. LAMMOT DU PONT. The draft provided an expiration 10 years from the date of execution, but as it never has been executed, I do not know when it would expire.

Senator POPE. So far as you know now, it will continue to guide your dealings in the future?

Mr. LAMMOT DU PONT. I think so. I think that is quite likely.

Mr. RAUSHENBUSH. Mr. Chairman, with your permission, so far I have been simply introducing evidence to complete the record on the interests, commercial, and industrial interests running across the national boundaries. There is some evidence to the effect that some of the governments were somewhat interested in the success of their chemical companies and the expansion. There were also these two analyses by Colonel Taylor and Major Casey, taken for what they are worth, to the effect that some of those industrial connections may have had some influence on a very important military and political question, the one of rearming Germany.

With your permission, I would simply like to put in for the general information of the committee some further evidence, secured from the files of the company, in regard to some of the rather important European connections, for the purpose of giving that picture.

I wish to offer for the record an excerpt from a letter of Taylor to Casey, dated February 18, 1928.

(The excerpt referred to was marked " Exhibit No. 1084 " and is included in the appendix on p. 2876.)

Mr. Raushenbush. Paragraph 11 reads:

> The competitors for this business are very few: Aktiebolaget Bofors, of Sweden: Vickers-Armstrong, of England; and Schneider, of France. As you know, these three firms work under a common agreement and apparently, if Bofors does not get the business, it will got to Schneider. We believe that the H.I.H. is active on this enquiry and will probably present a bid also.

I understand that Major Casey and Mr. Felix du Pont were excused, but can anybody present give us any further information on this report that Bofors, who have been identified as one of your biggest competitors, Vickers-Armstrong, and Schneider, of France, work under a common agreement and if apparently Bofors does not get the business it will got to Schneider?

Mr. Lammot du Pont. That seems to be an opinion expressed by Colonel Taylor, but I do not know that I can confirm that opinion or say that I know it.

Mr. Raushenbush. Is there anybody here from the company who has any further information on that?

Mr. Lammot du Pont. I do not think so.

Mr. Raushenbush. If not, I would like to present——

Senator Pope. Just a minute. Mr. Felix du Pont, do you have any further information on this matter?

Mr. A. Felix du Pont. No, sir. Colonel Taylor would know more about that than anybody.

Mr. Raushenbush. In that connection, I would like to offer for the record a note from Mr. Swint to Explosives Industries, Ltd., dated February 9, 1928, to be given the appropriate number.

(The letter referred to was marked " Exhibit No. 1085 " and appears in full in the text.)

Mr. Raushenbush. This reads:

> Dear Sirs: We have recently been getting some information on Bofors, and have prepared the attached chart which shows just what the relationship of one company is to another, as well as significant information on personnel, capital structure, earnings, and dividends for the past 3 years. I trust that this will be of interest to you.

May we have that chart also made part of the record?

Senator Pope. Very well.

(The chart referred to was transposed and marked " Exhibit No. 1085–A" and is included in the appendix on p. 2877.)[1]

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[1] Photostat of original chart is in the committee file.

Mr. RAUSHENBUSH. Mr. Swint, do you know at this time who controlled Bofors? What actual group that was?

Mr. SWINT. I do not, Mr. Raushenbush. Matters of this sort were of very little interest to me. I had a great many other things to do and paid very little attention to military affairs.

Mr. RAUSHENBUSH. We have heard from Major Casey, and Colonel Taylor reports that this was one of your big competitors in the military powder business.

I wish to offer a letter addressed to you, Mr. Swint, dated March 19, 1929.

(The letter referred to was marked "Exhibit No. 1086" and is included in the appendix on p. 2878.)

Mr. RAUSHENBUSH. This is signed by Colonel Taylor and describes the Bofors groups and states at this time his idea is that this entire group is controlled by Kreuger & Toll, which is a holding company, which also controls the Swedish match industry.

You would say you have no further information on that?

Mr. SWINT. No.

Senator POPE. Does that give the names of the groups?

Mr. RAUSHENBUSH. Yes; it does. They are sort of Scandinavian names.

Mr. SWINT. I mean to say that I have no further information than what is contained in these letters of several years ago.

Mr. RAUSHENBUSH. That is what I mean.

Senator POPE. This will be a part of the record as an exhibit?

Mr. RAUSHENBUSH. Yes; I have offered that as an exhibit.

I also offer for the record a letter signed by Philip J. Kimball, from your London office to your Paris office.

(The letter referred to was marked "Exhibit No. 1087" and is included in the appendix on p. 2879.)

Mr. RAUSHENBUSH. This says in the second paragraph:

> It might be well to explain our present position with regard to Bofors in the South American commercial explosives market. This company, last year, sold approximately 150 tons in that market, and it is thought that it might be well to make a quota arrangement with them. It was agreed, during the last board meeting of Explosives Industries, Ltd., held on June 14, that Mr. Marquard of D.A.G., would open negotiations with Mr. Herlin early in August to bring about the desired arrangement.
>
> It was further agreed at this meeting that no mention would be made of propellants, but it was the feeling of those present that Bofors' representative might possibly want to bring in propellants. If so, it is understood that Mr. Felix du Pont has expressed his willingness to attempt a deal with Bofors.

Nothing ever happened to that propellant's business, did it?

Mr. SWINT. No.

Mr. RAUSHENBUSH. How about the other part of it? Did Bofors get a quota from D.A.G. in the South American market, or from Explosives Industries, Ltd.?

Mr. SWINT. They did not get a quota. It was understood no attempt would be made to hinder them in selling up to a certain tonnage—I do not recall the amount—up to 300 tons, or something.

Mr. RAUSHENBUSH. That practically meant they had a right to get 300 tons in the South American market?

Mr. SWINT. They had a right to it under any conditions.

Mr. RAUSHENBUSH. That they would not encounter any hostilities of the group making it up. Is that right?

Mr. SWINT. That is right. That was not an agreement with du Pont, but an agreement with Explosives Industries, Ltd.

Mr. RAUSHENBUSH. In which du Pont and D.A.G. and I.C.I. had a part?

Mr. SWINT. Yes, sir.

Mr. LAMMOT DU PONT. As stockholders.

Mr. RAUSHENBUSH. As stockholders.

I offer for the record the correspondence between Bofors and E.I.L. concerning the arrangement made at that time.

(The document referred to was marked "Exhibit No. 1088" and is included in the appendix on p. 2879.)

Mr. RAUSHENBUSH. In which "Bofors bind themselves to limit their exports of industrial explosives to 330 tons of 2,000 pounds each per annum. This quantity shall, as far as possible, be disposed of in South America."

I offer a letter for the record——

Mr. LAMMOT DU PONT. Just a moment. Look at this a moment.

Mr. SWINT. I was in error in saying that arrangement was with Explosives Industries, Ltd. It was with D.A.G., as this plainly states, and the reason for that was, that was only a part, as I understand it, of the agreement between D.A.G. and Bofors, which embraced other countries in other parts of the world on dynamite.

Mr. RAUSHENBUSH. Will you say that last sentence again, please?

(The answer, as above recorded, was read by the reporter.)

Mr. RAUSHENBUSH. Have they got a general agreement with the Germans on dynamite all over the world?

Mr. SWINT. I do not know how general it is, but it has been reported to us they have an understanding on the division of the export markets between themselves. As far as South America is concerned, D.A.G.'s part is taken through E.I.L.

Mr. RAUSHENBUSH. I want to offer for the record a letter from Casey to Taylor—I did not realize it was coming out—of February 9, 1934, which simply bears on the Bofors matter.

(The letter referred to was marked "Exhibit No. 1089" and appears in full in the text.)

Mr. RAUSHENBUSH (reading):

> Replying to your T-2805 of January 25 in which you indicate that Bofors is not satisfied with the results of their price-cutting campaign and that Mr. Sohlman, managing director of Bofors, has indicated his desire to open negotiations for the purpose of putting an end to this situation.
>
> Such a conversation meets with our entire approval but we thoroughly agree with you that the request for such an interview should originate with Bofors. We have entire confidence in your tact and judgment to conduct the matter as the circumstances may require.

Mr. LAMMOT DU PONT. Does it not refer to commercial explosives?

Mr. RAUSHENBUSH. No. I think, Mr. du Pont, that since it goes from Casey to Taylor it is probably a conversation on military explosives.

Mr. LAMMOT DU PONT. It does not say so there.

Mr. RAUSHENBUSH. It comes up again.

I want to offer for the record a letter from Taylor to Smith of I.C.I. at London, dated May 25, 1934, in which he describes the reasons why this agreement apparently was not gone into any further.

(The letter referred to was marked "Exhibit No. 1090" and is included in the appendix on p. 2880.)

Mr. Raushenbush. It begins [reading]:

> I had the visit this morning from Mr. Sohlman of Bofors. We talked about the Greek adjudication and both expressed our dissatisfaction with the manner in which the Greeks have conducted the affair."

It goes on later [reading]:

> We then discussed the question of the possibility of an agreement among the principal powder manufacturers whereby we would not present bids if the requirements of the customers were unreasonable. We both thought that such a thing might be possible.
>
> We also discussed the possibility of making an agreement among the manufacturers on standard laboratory methods.
>
> We did not talk about a price agreement, nor of any territory agreement of any kind.
>
> We discussed at length the general question of the possibility of an agreement of some kind among military manufacturers, and we both thought that while such an agreement might be possible as far as the manufacturers themselves were concerned, that due to the political situation in Europe today and due to the general attitude towards arms manufacturers, any attempt to make a formal agreement among manufacturers would cause the loudest and most violent criticism and put us in a very disagreeable position. We would be accused of joining together to foment wars, increase armament, etc. And we agreed that an agreement among military manufacturers and private manufacturers was a very different matter, and that any agreement made among military manufacturers would be a grave political error.
>
> Mr. Sohlman also stated that their powder factory was getting pretty filled up with orders and very soon they would be no longer able to offer reasonable deliveries; also that they are not feeling so liberal about matters as they have in the past.

That seems to give the reason why the discussion did not go any further, does it not?

Mr. Lammot du Pont. I do not agree with that.

Mr. Raushenbush. I beg your pardon. What do you not agree to there?

Mr. Lammot du Pont. I do not see the connection between this and the previous letter.

Mr. Raushenbush. The previous letter?

Mr. Lammot du Pont. The previous letter to which I referred is the one we did not know what they were talking about.

Mr. Raushenbush. The one from Major Casey telling Colonel Taylor to go ahead with the discussions?

Mr. Lammot du Pont. The one I said we did not know what they were talking about, and you said it would come out later, and you seem to think this explains it.

Mr. Raushenbush. Is this the one [producing document]?

Mr. Lammot du Pont. Yes, sir; this is the one. This does not say whether they are talking about military explosives or commercial explosives.

Mr. Raushenbush. And I offered the explanation that since that is a document from Casey to Taylor, it presumably involved military explosives.

Mr. Lammot du Pont. It might be a fair presumption, but it does not prove it.

Mr. Raushenbush. There is a clear reason given here why this discussion went no further.

Mr. Lammot du Pont. This letter does not say anything about that letter does it? I fail to note it, if it does.

Mr. RAUSHENBUSH. It follows. This states:

> * * * Mr. Sohlman, managing director of Bofors, has indicated his desire to open negotiations for the purpose of putting an end to this situation.
>
> Such a conversation meets with our entire approval—

And then this comes back to Mr. Sohlman, the next letter, "Exhibit No. 1090", who talked about the Greek adjudication.

Mr. LAMMOT DU PONT. What is the date of the previous letter?

Mr. RAUSHENBUSH. This one was in February [referring to "Exhibit No. 1089"] and this in May [referring to "Exhibit No. 1090"].

Mr. LAMMOT DU PONT. It may be on the subject and may not be.

Mr. RAUSHENBUSH. The commercial man for Bofors, Mr. Swint, is not Sohlman, but that other fellow we had.

Mr. SWINT. Herlin. I think he also handles military matters. Sohlman is the director.

Mr. RAUSHENBUSH. I do not want to spend too much time on it.

Mr. BRADWAY. I do not think there is any connection between those two things, Mr. Raushenbush. The first letter referred to something else.

Mr. RAUSHENBUSH. What are you testifying to, Mr. Bradway?

Mr. BRADWAY. As I gathered it. I would rather see the letter.

Mr. RAUSHENBUSH. It is right before you. The one which states:

> We then discussed the question of the possibility of an agreement among the principal powder manufacturers whereby we would not present bids if the requirements of the customers were unreasonable. We both thought that such a thing might be possible.

It goes on there, at the end of the page:

> We discussed at length the question of the possibility of a general agreement of some kind among military manufacturers, and we both thought that while such an agreement might be possible as far as the manufacturers themselves were concerned, that due to the political situation in Europe today and due to the general attitude towards arms manufacturers, any attempt to make a formal agreement among manufacturers would cause the loudest and most violent criticism and put us in a very disagreeable position.

Does not that sound like a military thing?

Mr. BRADWAY. This is military.

Mr. LAMMOT DU PONT. It is not clear what they are talking about in the earlier letter. I think it may be a fair inference they were talking about military powders.

Mr. BRADWAY. I think it is true in this case that they were, but this is not the conference which came out of this conversation, I am quite sure.

Senator CLARK. If I might interrupt a moment to go back to the matter we were discussing a while ago, Mr. du Pont, I have sent out and got the proofs of the testimony of September, and while it is of no great importance, just for the purpose of clearing up what you did testify to at that time, I want to call your attention to the fact that the draft of the contract taken from your files was marked "unsigned." In fact, it was a gentleman's agreement, and it was in that condition found in your files.

You testified:[1]

> That is an agreement between the German companies and ourselves, which is very similar to the agreement between I.C.I. and Du Pont, in that it provides

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[1] Hearings, Part V, pp. 1203 and 1204.

that each of the parties may acquire from the other an option to purchase valuable rights to processes. The agreement with I.C.I., in this respect, is in effect, in that it has been duly executed by both parties. This agreement with the German company was drafted along the same general lines and was informally agreed to but was not executed. It, therefore, is not in effect, I believe, legally, but we have notified the Germans, I think informally, that we were satisfied to be bound by it; that is, we would agree to the agreement verbally, informally, but we have not executed it.

Senator CLARK. In other words, that notice on this contract, as we found it in your files, unsigned, "in effect as gentleman's agreement", is literally accurate. The contract has not formally been completed by signature, but that it is in effect practically, as a gentleman's agreement between the two companies.

Mr. LAMMOT DU PONT. If you mean by a gentleman's agreement——

Senator CLARK. I am asking what you meant by this notation. It is not my notation but a notation by somebody in connection with your company.

Mr. LAMMOT DU PONT. I know what my interpretation of a "gentleman's agreement" is, but I do not know what yours is.

Senator CLARK. I am asking you yours.

Mr. LAMMOT DU PONT. My interpretation?

Senator CLARK. Yes.

Mr. LAMMOT DU PONT. My interpretation of a "gentleman's agreement" is one which is not executed but which the parties have considered.

Senator CLARK. And are proceeding under?

Mr. LAMMOT DU PONT. Yes; but I think also, Senator, the term "gentleman's agreement" applies to the ability of either parties to get out of it.

Senator CLARK. The point I am making is that you have had these negotiations and are actually proceeding under that agreement at the present time, are you not?

Mr. LAMMOT DU PONT. Yes, sir.

Mr. RAUSHENBUSH. Unless there is further comment on that, I would like to pass to another subject, and offer for the record a report from Walter Dannenbaum to Mr. Jasper E. Crane, dated September 16, 1929, entitled "Cooperation with Royal Dutch Shell."

(The letter referred to was marked "Exhibit No. 1091" and is included in the appendix on p. 2881.)

Mr. RAUSHENBUSH. I call attention to page 3, the third paragraph, which reads:

> R.D.S. have the example of the Standard Oil Co. of New Jersey before them; i.e., the alliance of the Standard Oil Co. of New Jersey with the I.G. R.D.S. realize that the supply of crude oil, be it sufficient for 5 years or for 50 years, is not unlimited, and that 1 day, however far in the future, the products now derived from crude oil must be made by another method. In view of the R.D.S. investment in the oil business, it seems logical and foresighted that R.D.S. should prepare themselves for the day when petroleum products are made by other methods than the refining of crude oil.

Mr. Swint or Mr. du Pont, can you explain to us just what this relation between Standard Oil and I.G. is in regard to getting oil out of coal?

Mr. IRÉNÉE DU PONT. I think probably I can answer that. I happened to be in Heidelberg when some of the Standard Oil men were there, and I understood they were interested in the Burgess process, by which they hydrogenated coal and produced petroleum products from it. They admitted at that time, I think, that it was a very costly way of getting gasoline and other petroleum products, but that it might have some future value.

Mr. LAMMOT DU PONT. I have a somewhat different understanding. What the Standard Oil of New Jersey and I.G. agreed upon was the hydrogenation of petroleum, and they formed a company to exploit that field.

Mr. RAUSHENBUSH. Only of petroleum. Is that your understanding?

Mr. LAMMOT DU PONT. Yes.

Mr. IRÉNÉE DU PONT. I think they had that plan, but I had been under the impression they proposed to hydrogenate coal in Germany, where coal is plentiful and oil is not. This is only hearsay.

Mr. LAMMOT DU PONT. My information is only hearsay and it is not surprising that we disagree.

Mr. RAUSHENBUSH. Can you add anything to that, Mr. Swint?

Mr. SWINT. I think that about explains it. The I.G. and the Standard Oil did form a company in the United States to exploit certain patents.

Mr. RAUSHENBUSH. Is that the one which is referred to as the American I.G.?

Mr. SWINT. No. Standard I.G. American I.G. is something else.

Mr. RAUSHENBUSH. Is it true that the other big chemical groups, such as I.C.I. and du Pont have not been able to share that arrangement with those two companies? They have not been able to buy into that arrangement between the Standard Oil and I.G.?

Mr. IRÉNÉE DU PONT. We are not in the oil business at all. It is nothing we would be interested in.

Mr. RAUSHENBUSH. The I.G. seems to be in it, does it not?

Mr. IRÉNÉE DU PONT. I am speaking of the Burgess process. I thought that was what you were speaking of.

Mr. RAUSHENBUSH. The I.G. seems to be in the chemical business to the extent they got into the oil business.

Mr. IRÉNÉE DU PONT. I think they had run across the hydrogenation process and applied it to the coal business, which does not interest us particularly.

Mr. RAUSHENBUSH. Coming back to the question, have either the I. C. I. or du Ponts been able to buy into that process at all?

Mr. IRÉNÉE DU PONT. Not so far as I know. Certainly not speaking for the du Pont Co. I do not know anything about I. C. I.

Mr. RAUSHENBUSH. The reason here given for the Royal Dutch Shell's interest is that petroleum is going to be scarce sometime in 5 to 50 years.

Mr. IRÉNÉE DU PONT. What is the date?

Mr. RAUSHENBUSH. September 16, 1929. And they wanted to take a position on what was happening there, for this reason: That very soon after, in fact, about the time that we saw this letter, the New York Times was playing up the United States and British interest in Manchukuo oil, and it seemed that that matter of oil might have some connection with causes for later wars.

In the same year, 1929, there is another letter on this subject, which I offer as an exhibit, being a letter from Dannenbaum to Crane, dated July 25, 1929.

(The letter referred to was marked " Exhibit No. 1092 " and is included in the appendix on p. 2884.)

Mr. RAUSHENBUSH. There is discussion of the Royal Dutch Shell getting into the chemical industry. I will read the last paragraph on the fourth page [reading]:

> Just where this matter stands it is difficult to say. The R.D.S. apparently wish to get into the chemical industry. Originally the ammonia plant was intended as a club against the I.G. I.G. apparently made the mistake of tell-

> ing the oil industry generally and the R.D.S. specifically that in due time the I.G. would make all of the oil the world required by synthetic methods. Whether the I.G. said this or not, that was the R.D.S. impression of the I.G.'s intentions. It seems evident that the R.D.S. no longer think an ammonia plant in California would be a good club insofar as the I.G. are concerned, but perhaps they think it a good club to obtain an association primarily with I.C.I. and perhaps secondarily with du Pont. The R.D.S. is determined to get in the chemical business.

Did the Royal Dutch Shell put up any plant in California as a result of these discussions or interest? Can you inform us?

Mr. Lammot du Pont. I think they have properties in California; yes.

Mr. Raushenbush. I do not mean only oil properties, but other chemical properties.

Mr. Swint. I do not know. I think they have.

Mr. Lammot du Pont. I do not know for sure.

Mr. Swint. Nothing ever came of these discussions.

Mr. Raushenbush. Nothing ever came of these discussions. They simply show the interest of the Royal Dutch Shell in preparing itself because of this other arrangement.

Mr. Lammot du Pont. It does not do that, Mr. Secretary. It is a matter of opinion.

Mr. Raushenbush. They show the interest. We would have to read the whole letter to get the tone of this.

Mr. Lammot du Pont. It is all a matter of opinion of the writer of the letter, I think.

Mr. Raushenbush. They are some of your more important officials, Mr. du Pont.

Mr. Lammot du Pont. Their opinions may be wrong, also.

Mr. Raushenbush. I want to offer for the record as an exhibit a letter from Mr. Ewing to Mr. Swint, dated July 17, 1933, and dealing again with this matter of oil.

(The letter referred to was marked " Exhibit No. 1093 " and is included in the appendix on p. 2887.)

Mr. Raushenbush. I read the third paragraph on the second page [reading]:

> Dr. Bosch then told us of the I.G. Farbenindustrie plans for oil from coal. Up to the present, they have been manufacturing 50,000 tons per annum of gasoline from tar. Now they have succeeded in manufacturing gasoline direct from brown coal and are at present operating at the rate of 80,000 tons per year from tar and 20,000 tons from brown coal. Plans are under way to increase the production fourfold, thus producing 400,000 tons of gasoline per year. We understand that all of the increase will be manufactured from brown coal, and production therefore will be divided 80,000 tons per year from tar and 320,000 tons per year from brown coal.

It goes on to decribe their plans.

Mr. Lammot du Pont. That is all in Germany, I take it?

Mr. Raushenbush. That is all in Germany, according to this letter.

Now, coming back, for a minute, to the political importance of some of these countries, I want to call your attention to the last paragraph on the first page and the paragraph on the sixth page [reading]:

> Mr. Crane explained that he was on a trip to Europe to renew old friendships, this being the first trip to Germany in 6 years. There followed a general discussion of the economic situations in Germany and in the United States, and

> Professor Bosch confirmed our opinion that times in Germany at present are very difficult, and for industry the last few weeks have been especially difficult. Whereas the revolution of 1918 consisted of the middle and upper classes against the lower, the present revolution consists of the lower and middle classes against the upper class and industry. Just now it is a question of fascism and bolshevism, and industry must support the present government to prevent further chaos. In the beginning, Hitler did not consult industrial leaders, but in recent weeks he has shown his stability by curbing the more extreme element of the party and bringing the industrial leaders into consultation with him. Dr. Bosch has been in Berlin in direct contact with the Government, and in fact spends practically all of his time between his dwelling in Heidelberg and the Government offices in Berlin, thus leaving little, if any, time for the affairs of the I.G. Farbenindustrie.

Then because the question of governmental interest in these industries has come up, I want to read the paragraph on page 6 entitled "Meeting with I.G. Farbenindustrie July 12" [reading]:

> At 10 o'clock we called at the main office of I.G. Farbenindustrie and spent some time with Dr. von Schnitzler and Dr. ter Meer, and were later joined at luncheon by Mr. Weber-Andreae. Mr. Crane related the trend of the developments in the United States and emphasized the fact that a strong feeling of nationalism pervades our country today. The German gentlemen discussed the political situation in Germany, with particular reference to the positive position of the Government against the Jews. They also explained how Herr Krupp had developed a scheme whereby industry could contribute to the party organization funds, and in fact every industry is called upon to pay "1½ percent of the annual wage and salary roll to the Nazi organization."

Mr. Lammot du Pont. One-half percent, it is.

Mr. Raushenbush (rereading):

> And in fact every industry is called upon to pay one-half percent of the annual wage and salary roll to the Nazi organization. For the I. G. Farbenindustrie, the annual amount is about Rm. 1,000,000, which would indicate a combined annual wage and salary payment of the I. G. Farbenindustrie of Rm. 200,000,000, or $50,000,000 at par. Later it was learned that the employees of I. G. total 68,000, exclusive of mine workers and those in affiliated companies.

Now, would not somebody, seeing the extent of that contribution, come to the opinion that this industry was very close to the German Government and had a very considerable influence with the current administration?

Mr. Lammot du Pont. I would not gather that.

Mr. Raushenbush. That is a $50,000,00 a year contribution.

Mr. Lammot du Pont. No.

Mr. Swint. $50,000,000 a year wage and salary roll.

Mr. Raushenbush. What is it?

Mr. Swint. About $250,000 a year.

Mr. Raushenbush. The contribution would be 1,000,000 reichsmarks. Is that it?

Mr. Lammot du Pont. Right, Mr. Secretary; the thing which struck me here, is it says, "* * * and in fact every industry is called upon to pay one-half percent of the annual wage and salary roll to the Nazi organization." It is not a voluntary contribution.

Mr. Raushenbush. This ties in with the former report which you characterized as gossip, about the interest of Dr. Schmitz in the Hitler group, back in 1932, I believe, and now the direct contact of Dr. Bosch, one of the heads of the company described in this letter, and then this scheme which is here attributed to Herr Krupp—is that the armament man, supposedly?

Mr. Lammot du Pont. I suppose so. I do not know.

Mr. RAUSHENBUSH. It developed a scheme whereby industry would contribute to the party organization.

Senator POPE. What is the date of the letter?

Mr. RAUSHENBUSH. This is July 17, 1933. I am almost through with these exhibits, Mr. Chairman, but I want to enter them.

I offer an exhibit, being a letter of November 18, 1929, from Jenney to Taylor, referring to the interest of the artillery department of the Royal Swedish Army in process for the manufacture of oxidation of ammonia to nitric acid. If there is no comment, I will just rush through these.

(The letter referred to was marked "Exhibit No. 1094" and is included in the appendix on p. 2890.)

Mr. SWINT. It did not happen.

Mr. RAUSHENBUSH. It did not take place, but the Swedish Army was interested in the process for the manufacture of oxidation of ammonia to nitric acid.

I offer a letter from Jenney to Mr. Lammot du Pont, dated October 19, 1928.

(The letter referred to was marked "Exhibit No. 1095" and is included in the appendix on p. 2890.)

Mr. RAUSHENBUSH. There is one paragraph toward the end speaking of the big French dye company, Kuhlmann [reading]:

> As you also know, the outstanding point about their relations with other companies is the Kuhlmann-I. G. agreement of dyestuffs. There have also been numerous rumors that this agreement will be extended into the nitrogen field, and we have also heard that the I. G. has aided them in the production of mixed fertilizers (nitrophoska).

I also offer for the record a letter from Henry E. Ford from London to Mr. Wardenburg, in Wilmington, headed "Nitrogen."

The letter referred to was marked "Exhibit No. 1096" and is included in the appendix on p. 2891.)

Mr. RAUSHENBUSH. In the first paragraph it states:

> We had further conversation with Mr. Speyer of I. C. I. and obtained some additional information on the recent nitrogen conference. The Brussels conference finally broke down due to the attitude of the French. The Germans were not able to agree to the economic and political demands made, and the breach is so wide that there is very little chance of further conferences, at least for 6 or 9 months.

Can you tell us how the French nitrogen producers would be making political demands on the Germans? I can understand economic demands, but how do they make political demands on the Germans? Can anybody throw any light on that at all?

Mr. SWINT. We know nothing about the relations between the French and German nitrogen people.

Mr. LAMMOT DU PONT. This was fertilizer, was it not?

Mr. SWINT. Yes.

Mr. LAMMOT DU PONT. Fertilizer nitrogen.

Mr. RAUSHENBUSH. The heading of the letter is entitled "Nitrogen."

Mr. LAMMOT DU PONT. The discussions were on fertilizer.

Mr. RAUSHENBUSH. That was the international nitrogen conference; a cartel?

Mr. LAMMOT DU PONT. Yes, sir.

Mr. RAUSHENBUSH. I offer for the record a cable from Clemenceau president, Societé Central de Dynamite, dated June 6, 1930.

(The cable referred to was marked "Exhibit No. 1097" and appears in full in the text.)

Mr. RAUSHENBUSH. That reads:

> You know we have been exploiting Russia with a profit for many years by concession to manufacture all materials plastic and nitrocellulose derivatives, such as celluloid film, photographic paper, etc.
>
> At present, after new convention, Russian Goverment buying by concession from us. Our role in future will be limited (by) (to) complete remunerating technical cooperation.
>
> If this is the case Russian Government asked us to extend this cooperation to all branches (of) which are objecting to activities of our branches; namely, explosives, glycerine, nitrocellulose, and particularly cellulose varnishes.
>
> Before giving answer on general principles on the point would appreciate you cable us at once if you agree on the principle S. F. D. cooperate like our other branch organizations of an industry of the same kind in Russia.
>
> We know, lacking our cooperation in the respect, Soviet Government would not hesitate to deal with other French manufacturers cellulose varnishes.
>
> Of course this cooperation will involve cashing in and annual remuneration to be set.
>
> For the moment, we ask you only the question of principle which if accepted by you would leave us entirely at liberty to decide in common with that condition.

The question I wanted to ask about that was in regard to the explosives, glycerine, nitrocellulose, and particularly cellulose varnishes. Those are, I take it, all commercial explosives or materials for commercial explosives?

Mr. SWINT. I believe so.

Mr. RAUSHENBUSH. That is right?

Mr. LAMMOT DU PONT. I think that is correct.

Mr. SWINT. This firm, Societé Central de Dynamite, happens to be a company that holds the stock in the French Duco Co., in which we are partners, but we have no other partnership relations or any other agreements of any sort with them. And this proposal was not carried out.

Mr. RAUSHENBUSH. Do you own this company?

Mr. SWINT. No.

Mr. RAUSHENBUSH. But they hold your——

Mr. SWINT. No; we have a minority interest in the French Duco.

Mr. LAMMOT DU PONT. Which is the S.F.D.

Mr. RAUSHENBUSH. In this letter Clemenceau seems to be asking you for permission to deal with Russia.

Mr. SWINT. No, Mr. Raushenbush; he simply expresses his intent to deal with the Russians on these various other products, explosives, glycerin, and nitrocellulose, and he has to ask our permission to deal with the Russians on cellulose varnishes, as he calls it, because we have granted him rights to use our patents on it.

Mr. RAUSHENBUSH. I offer for the record a memorandum dated January 23, 1934, from Jenney to Pickard, entitled "Russia, Possible Sale of Nitrogen Information." On the second page there is this sentence [reading]:

> On March 19, 1931, the executive committee informed the development department that the methanol process should not be sold to Amtorg.

Was that all a military process?

Mr. SWINT. No; methanol is wood alcohol.

Mr. RAUSHENBUSH. That is, they just decided not to sell it to the Russians. Was that a matter of policy or was that a matter of price?

Mr. LAMMOT DU PONT. I cannot remember now.

(The letter referred to was marked "Exhibit No. 1098", and is included in the appendix on p. 2892.)

Mr. RAUSHENBUSH. It seems, if you will read the rest of the letter, that there are certain policy decisions being taken here to not do certain things in connection with the Russians. It goes on on the third page:

> Mr. Pickard informed the I. G. that we had refused to sell the Russians information on methanol, and this was acknowledged with thanks, by Dr. Gaus.

That is the third paragraph of the third page.

Are you under any obligations to I.G. not to sell certain things to the Russians or to any other governments?

Mr. LAMMOT DU PONT. I think not.

Mr. RAUSHENBUSH. Did the I.G. sell them that particular information on methanol?

Mr. LAMMOT DU PONT. Not that I know of. I do not think they had the same information we had.

Mr. RAUSHENBUSH. The paragraph above that is:

> I am not able to locate the information in our files, but it is my recollection that Dr. Bosch informed Mr. Pickard or some other official of the company some years ago that the Russians had used an offer received from us to force the I.G.'s hand at the time they made a deal on dyestuffs with the Russians in about 1926.

Here is a question raised in an exhibit which I wish to enter.

July 19, 1932, letter from Mr. Ewing to Wardenburg. May I call your attenton to the last paragraph on the first page [reading]:

> Quite apart from the C.I.A. agreement, the D.E.N. group have bought off completely Ressaix Laval, which is the Belgian plant under construction and which will not be completed, and have also paid to the Schluskill owners an amount for closing down a fair portion of the Schluskill plant.

Does anybody remember what that dealt with?

Mr. SWINT. Yes; that dealt with fertilizer ammonia. C.I.A. is the International Conference of Azote,, and D.E.N. is the German-English-Norwegian group. They made certain arrangements to facilitate sales of fertilizer ammonia, with which we were not at all concerned.

(The letter referred to was marked "Exhibit No. 1099", and is included in the appendix on p. 2894.)

Mr. RAUSHENBUSH. Could one draw a fair inference from this that this process of the C.I.A., which is sort of the International League of Nations of the nitrogen group, is it not?

Mr. SWINT. It does not include any American groups.

Mr. RAUSHENBUSH. We are not in the League of Nations, either, Mr. Swint. That League of Nations in turn has a sort of a subordinate group, the D.E.N., the German-English-Norwegian group, which are an operating unit by themselves.

Coming back, to the extent that this problem of nitrogen has anything at all to do with war preparations, even in the remotest sense, the commercial transactions by which certain Belgian plants are bought off and closed down would have to that extent some influence on the military preparedness of Belgium, would it not?

Mr. SWINT. It is concerned entirely with ammonium sulphate. That is the only thing that plant makes.

Mr. RAUSHENBUSH. Both of them, the Ressaix Laval and Schluskill.

Mr. SWINT. Schluskill. I never heard of the other one before.

Mr. RAUSHENBUSH. This is the big new plant they were building, Ressaix Laval. It was half built when they closed down. That would have some influence, to that extent, I take it.

Mr. LAMMOT DU PONT. I do not think it would have any influence on military plans; no, sir.

Mr. RAUSHENBUSH. If nitrogen is at all influential in any war preparations, the commercial transactions by which one country's plant is closed down in favor of an international convention would to that extent, it seems to me, very clearly influence that country's strength.

Mr. LAMMOT DU PONT. I think it would depend on how many other plants they had.

Mr. RAUSHENBUSH. Yes, it would; but the Belgians were not the outstanding people in that production, were they?

Mr. LAMMOT DU PONT. Oh, I think there were plenty of other plants. Is not that right?

Mr. SWINT. Yes; there were several plants. They had a great superfluity of plants.

Mr. LAMMOT DU PONT. That was the trouble.

Mr. RAUSHENBUSH. I want now to ask just a few more questions about the relationships between I. C. I. and I. G., and offer for the record a letter dated May 10, 1933, from Harry McGowan to you, Mr. Lammot du Pont.

(The letter referred to was marked "Exhibit No. 1100", and is included in the appendix on p. 2895.)

Mr. RAUSHENBUSH. In this he speaks of something that may be of some importance to the world because of this oil question that we have discussed before. The letter reads:

> MY DEAR LAMMOT: As a result of our agreement with the International Hydrogenation Patents Co. and our cooperation with the I. G. to put forward a joint scheme for a nitrogen plant in China, we find ourselves in rather a curious position vis-a-vis the I. G., and I would like to ask you if you would consider if we cannot simplify this.
>
> As you know, the hydrogenation agreement requires the I.G. and ourselves to pass to I.H.P. our information on the manufacture of hydrogen. This knowledge is available to licensees of I.H.P. for the strictly limited field of hydrogenation of coal and oil.

The question I wanted to ask about that was, does not that indicate that the I.C.I. is in on this combination that the I.G. and Standard Oil have for this hydrogenation of coal?

Mr. LAMMOT DU PONT. It states that the hydrogenation agreement requires the I. G. and I. C. I. to pass to I. H. P. information on the manufacture of hydrogen. I would infer from that that I.C.I. must be a party to that agreement.

Mr. RAUSHENBUSH. I.C.I. must be a party to it.

Outside the Standard Oil, is there any American company that is in any similar sense a party to this three-cornered agreement on this hydrogenation of coal?

Mr. Lammot du Pont. I think not, but I.H.P. licenses a number of oil companies, if my recollection is correct.

Mr. Raushenbush. A number of American oil companies?

Mr. Lammot du Pont. Yes.

Mr. Raushenbush. Can you tell us anything further about that at all?

Mr. Lammot du Pont. It is all in the oil business.

Mr. Raushenbush. It seems that I.C.I. has gone into the oil business, and that is a chemical company, and I.G. has gone in, and that is a chemical company.

Mr. Lammot du Pont. They may be in the oil business, or think that they are, but we are not in the oil business and we have no connection with this I.H.P., either as licensees or otherwise.

Mr. Swint. I.C.I. are in the oil business They have a plant for the hydrogenation of coal to produce gasoline.

Mr. Raushenbush. That is the point I was making. Our chemical companies seem to be picking on this field as a possible source of future growth.

Mr. Swint. Some of the chemical companies do. We avoided it.

The Chairman. A very large study has been given to that.

Mr. Swint. A great deal of study, because it is quite an important matter to England, having no oil.

The Chairman. Is it not becoming important to us here?

Mr. Swint. Perhaps in 50 years or 500 years, we do not know how long.

The Chairman. Some estimate it far less than that.

Mr. Raushenbush. There is evidence in, Mr. Chairman, that one of the officials considered the Royal Dutch Shell moves actuated by a realization that it would be somewhere between 5 and 50 years when we would have to tackle another source of supply entirely on oil.

Mr. Chairman, I would like to offer as committee exhibits two charts that were prepared, one showing as far as we could get from the records and letters of the company what seemed to be the international connections of some of the explosives and chemical companies. That chart is doubtless incomplete. Probably a great many other lines should be added to it that we do not have. They seem to show a considerable number of lines from German, French, Italian, and American companies into other countries. It is simply a factual statement as far as we can determine it from correspondence. We have entered to some extent and still have available from the companies, evidence of the existence of these business relations which run across national boundaries. The charts themselves are, as I said, fairly factual.

As far as I can determine, there is no statement in them that the business relationships of the British company, let us say, in the Balkans, had or did not have any influence on the political actions of their country.

May I ask that the chemical chart be shown for a moment?

Mr. Chairman, this chart is entitled "International Relations in Chemicals", and is offered subject to the reservations I made before, as a committee exhibit. The continuous line shows financial arrangements for sales and/or part ownership or agreements or relations on prices and territory. The dotted line shows the interchange or sale of chemical or other patent information.

Over here in this country, following the geographical map, we have Canada, the United States, lines leading down to South America and Mexico. This is England with the I.C.I. here. This is Germany with its various companies, the I.G. with specific attention to the D.A.G. and to Montecatini, the Italian company. These various lines lead out into the Balkan countries, largely from the British companies. Here are the French. We have authorities for those lines from these documents, and I would like to offer for the record the numbers of each of these lines, showing the companies from which and to which they go, together with the source of information, from which files they were taken; and also, with the permission of the Chairman, the opportunity of quoting in addition to what has been prepared here the statements from each letter which have so far been left out, showing exactly what there was in that letter that made us go on that information.

The Chairman. Let the exhibits be received, then, for the record.

(The documents containing sources of information referred to were marked " Exhibit No. 1101 ", and are included in the appendix on p. 2896.)

(The charts referred to were marked " Exhibit No. 1102 ", and " Exhibit No. 1103 ", and are included in the appendix facing pp. 2896 and 2902.)

Mr. Lammot du Pont. Mr. Chairman, may I make a statement regarding that chart?

The Chairman. Yes.

Mr. Lammot du Pont. We have not had a chance to examine that chart, and we have no idea what the markings on it refer to, except as described by the Secretary.

Mr. Raushenbush. I think that is a very fair statement.

Mr. Lammot du Pont. And we do not either agree with what it shows or disagree with what it shows, because we have not examined it.

The Chairman. I should like to say at one and the same time for the record that those who prepared the chart were under very stringent urge by the committee to be exceedingly cautious and careful in building this chart, to see that it was builded upon what appeared to be the most substantial kind of information.

Mr. Lammot du Pont. Mr. Chairman, you will remember that an exhibit that you presented to us at an earlier hearing was found to be entirely incorrect.

Mr. Raushenbush. Which one was that?

The Chairman. You mean the one relating to the investments of the du Ponts?

Mr. Lammot du Pont. Yes, sir.

The Chairman. Why was that found to be wholly inaccurate?

Mr. Lammot du Pont. The columns were added up, and they were not added correctly.

The Chairman. But it was just a matter of additions?

Mr. Raushenbush. Mr. Chairman, let us recall that matter. The columns apparently did add up incorrectly, and I sent it out to be added up again, and the results were the same.

The Chairman. The record has been corrected to that extent.

Mr. Raushenbush. The first reports were apparently as good figuring as could be done. We had some conversation with the company officials about it. I do not remember it too clearly, but the point they made was that we had no business adding the columns at all. Whatever comments were made by your officers when the report went into the record were all noted. I do not accept the comment that that chart was incorrect.

Mr. Lammot du Pont. I did not wish to refer to the statement.

The Chairman. But Mr. du Pont, that raises a question:

It seems to me that at the time we were having the controversy over that matter, a suggestion was made that you furnish, when it could be furnished, your own detail of the capital that was resorted to in possessing yourselves of the properties that did come into your possession during and after the war.[1]

Mr. Lammot du Pont. I think we sent you that statement.

Mr. Raushenbush. Yes. That has been set up.

The Chairman. That has been received? The Chair has not seen it yet. Has it been offered for the record?

Mr. Raushenbush. It was printed right away without anything further, and it is being set up as part of the book.[1]

The Chairman. It has been made part of the record, then.

Mr. Lammot du Pont. The only point I wish to make at this time was that we had not examined this chart.

The Chairman. I think you made that clear.

Mr. Lammot du Pont. We neither assented to it or dissented.

Mr. Raushenbush. It seems to me a fair observation, Mr. Chairman, that before we get through we will probably want to put a great many more lines on, and as we go into these things further, I think certainly the company should have at a later opportunity a chance to make its comments on our deductions.

This chart, then, the second one, is presented as "International relations in war materials." The lines down here are perhaps a little more careful. The dotted line is entirely on sales of chemical or other patent information of important or convertible war materials or processes. I do not think there will be too much dissent to that. This is not only based on the recent companies we have examined, but also there are lines representing the Electric Boat Co.'s connections. It does not say "chemicals." It is our general war materials map, meaning materials that could be readily used in case of a war.

Mr. Lammot du Pont. Might I ask what those black spots represent?

Mr. Raushenbush. Companies, let us say.

The Chairman. Each one representing an individual producer.

Mr. Raushenbush. Yes. This would be du Ponts, this the Remington, the Electric Boat Co. and Colt's and so on.

Mr. Lammot du Pont. Is that big black one du Pont?

Mr. Raushenbush. We probably do you an injustice, but it is the same size as I.C.I.

Senator Cark. Where is Vickers? That ought to be as big as I.C.I.

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[1] Hearings, Part V, p. 1077.

Mr. RAUSHENBUSH. Here is Vickers, right here.

Senator CLARK. You have that too small.

Mr. RAUSHENBUSH. The artist did not inquire into the capitalization of the companies, and so on.

Mr. LAMMOT DU PONT. That shows a continuous line from the du Pont block to Norway. I do not know of any financial arrangements for sales and/or part ownership or prices or territory with Norway. It is that top, farthest up line, that goes to that big black block in the United States.

Mr. RAUSHENBUSH. That is line 16.

Mr. SWINT. Is that a solid line?

Mr. RAUSHENBUSH. (reading):

> Financial arrangements for sales and/or part ownership or prices or territory.

It could be an arrangement for territory.

Mr. LAMMOT DU PONT. We have not any arrangement with Norway.

Mr. RAUSHENBUSH. That seemed as a territorial arrangement.

Here is a letter dated December 19, 1927, from Dr. Sparre to Mr. Crane on imported nitric acid. [Reading:]

> In reference to your letter of December 19 to Mr. LaMotte and your letter of December 5 to Dr. Schmitz, I can advise you that on December 8 I sent a wire in Mr. Irénée du Pont's name to Kutroff, Pickhardt & Co., New York, to the effect that the du Pont Co. did not want Norsk Hydro to ship nitric acid to this country. This wire was in reply to a wire and letter from Kutroff, Pickhardt & Co. requesting such permission on our part.

There is a further letter on August 2, 1928, from vice president in charge of finances, "W.S.C.", Mr. Carpenter, to Norsk Hydro:

> DEAR SIRS: I refer to your letter of July 19, 1928, regarding your contract with us in connection with the shipment of nitric acid to this country. You state that you have received some opinion which indicates that under some phases of the law we would be unable to restrain your importation of nitric acid into this country—

"We", meaning du Ponts—

> irrespective of the condition to the contrary stipulated in our contract with you of 1915.
>
> We have not explored the legal phases of this particularly, and I am not questioning the correctness of that opinion from the legal standpoint.
>
> I understand, however, you do not question but rather confirm in your letter that both the letter and the intent of our contract was to the effect that you would not ship acid into this country. For this contract we paid you a very substantial figure, for which, due to the general economic conditions on this continent, it was impossible for us to receive any return.
>
> I understand from your letter that this question cannot be of considerable importance to you inasmuch as whatever acid you are unable to ship into this country you will be able to divert under your arrangement with the I.G. to other countries. In any event, the duration of your abstinence from this country will probably be very brief, due to your change of methods on your side. While it is natural that it would be our preference that you abide by the spirit of our contract, should you feel otherwise we will make no effort to restrain you.

That seemed to us very clearly an allocation of the territory.

Mr. LAMMOT DU PONT. Not at all. We bought from the Norwegian company the rights to a process for the United States.

Mr. RAUSHENBUSH. That speaks about their shipping nitric acid into the States.

Mr. Lammot du Pont. We bought the rights for the United States.

Mr. Raushenbush. You bought the territorial rights for the United States.

Mr. Lammot du Pont. We bought the patent rights for the United States.

Mr. Raushenbush. This seems territorial to us. Is it not territorial?

Mr. Swint. No. The patent rights would restrain them from shipping. We have the sole and exclusive license to use those patents.

Mr. Lammot du Pont. They no longer had a right to the patent, because they sold it to us.

Senator Clark. That was a territorial arrangement then, was it not?

Mr. Lammot du Pont. No.

Mr. Raushenbush. This does not mention patent rights here at all. It mentions the importation of nitric acid and the fact that the du Pont Co. do not want Norsk Hydro to ship nitric acid to this country.

Mr. Lammot du Pont. No; we did not want them to ship it here, because we bought the sole rights.

Mr. Raushenbush (reading):

> Regarding your contract with us in connection with the shipment of nitric acid.

That does not say "patent"; that says the shipment of nitric acid.

Mr. Lammot du Pont. I am telling you we bought the patent rights.

Mr. Raushenbush. You said:

> We would be unable to restrain your importations of nitric acid into this country irrespective of the condition to the contrary stipulated in our contract.

That seems to us one of these territorial things that I. C. I. had to such a large extent, simply a business of allocation of territory. That comes under the head of territory, "and/or part ownership or prices or territory."

Mr. Lammot du Pont. I think there are a lot of lines missing on that.

Mr. Raushenbush. Certainly. Our information is certainly not as complete as it could be. The exhibit was offered with that understanding.

The Chairman. I think Mr. Raushenbush stated that the chart was subject to amendment by the committee as well as by others who might have information that would alter it in any way.

Mr. Lammot du Pont. I would like to make the same statement in regard to this chart as the last. We have not had a chance to examine it, and we neither approve it nor disapprove it.

Mr. Raushenbush. The exhibit was offered as a committee exhibit rather than a company exhibit, and I think we could, if we find ourselves in error, certainly change it.

The Chairman. We ought to.

It is received as a committee exhibit.

Mr. Irénée du Pont. Could we obtain a photostat of those two charts with the supporting data on which they are built?

The CHAIRMAN. Within a very few days, Mr. du Pont, the Printing Office will have available the reprint of that in the form in which it will appear in the record. I take it that that would serve your purpose as fairly as a photograph of it.

Mr. RAUSHENBUSH. And this guide has been offered as an exhibit.

The CHAIRMAN. You have a guide for each chart?

Mr. RAUSHENBUSH. With all the lines designated.

Mr. PIERRE DU PONT. Mr. Chairman, might I say a word?

I have not had an opportunity to see the chart, except from the far end of the room. It appears to me it is about as misleading a thing as could be desired. It seems there is no weight given whatever to the lines or the dots or what they are related to. This one line shows a patent agreement, and apparently it is done the same way as if the du Pont Co. owned 100 percent of the company.

The CHAIRMAN. I do not think that is necessarily the conclusion to be drawn at all. It seems to me the index is very clear as respects that.

Mr. PIERRE DU PONT. But there are so many different things pictured there, and the chart does not readily show that.

The CHAIRMAN. The chart as respects that continuous line shows that there is indicated a financial arrangement for sales and/or part ownership or prices or territory.

Mr. PIERRE DU PONT. As far as I can see, there is nothing to show whether it is a patent agreement with regard to nitric acid or the sale of an electric boat.

Mr. RAUSHENBUSH. No, we did not draw pictures on all of them to show what they had to do with.

Mr. PIERRE DU PONT. It is such a confusion of lines and dots I cannot see how anybody could get any idea of the situation from it. As a picture it is well done, but I cannot see that it illustrates anything. I wish to object to its being entered into the record, because it is confusing rather than illuminating.

Mr. RAUSHENBUSH. The Chairman extended permission to extend this " Exhibit No. 1101 " by summarizing after the sources of the information the substance of the letter. That means going through some three hundred letters, I take it, to give the quotation.

Senator VANDENBERG. The supporting detail will supply the missing information?

Mr. RAUSHENBUSH. It will supply the missing information.

Mr. LAMMOT DU PONT. Is Mr. du Pont's objection recorded?

The CHAIRMAN. I expect it was.

Mr. PIERRE DU PONT. I should like to have that objection recorded in capital letters, if possible.

The CHAIRMAN. The reporter has been recording all this conversation.

The committee in taking a recess at this time will recess until 10:30 tomorrow morning.

(Thereupon, the committee recessed at 4 o'clock p. m. until tomorrow morning at 10 o'clock, Thursday, December 13, 1934.)

This concludes that part of the testimony known as " Part XII, Relationship of Munitions Makers to the Government and International Connections in the Chemical Industry." At this point the committee took up the question of profiteering, Government contracts, and expenditures during the war. (See part XIII.)

APPENDIX

("Exhibit No. 990" appears in text on p. 2637)

EXHIBIT NO. 991

[File: 105]

NOVEMBER 25, 1919.

NOBEL AGREEMENT

Mr. F. W. PICKARD,
Vice President.

As I understand the situation, we are contemplating entering into an agreement with the Explosives Trades, Limited, on a division of profits from the sales of military and commercial products in South America and elsewhere. I am not familiar with the purpose in back of this arrangement, but assume that the idea is that it will result in a better percentage of profit by the elimination of competition; that is the only reason I can imagine.

Personally, I cannot see whereby we will be the gainers by any arrangement we can make with Nobel. The Du Pont Company today is preeminently the leading manufacturer of explosives in the world and with a record for satisfactory production that has never been equalled. This fact is known not only by the Allies, but has been thoroughly appreciated by the Central Powers as well as the neutral nations. Therefore, we have a prestige second to none, which will not be materially strengthened by the above-mentioned arrangement. As far as prestige is concerned, we will be giving more than we receive.

If it is expected that this arrangement will enable us to control the market in South America to our mutual advantage, I think we are working on a false hypothesis. South American countries, with the exceptions of their navies, are armed and equipped with German-made small arms, and with German and French field artillery. There may be a few English guns for Cordite in some of the coast defenses, but my understanding is that the majority of these guns are Krupp, which practically indicates that the only English powder used is powder that is sold for use on English-built warships.

England has succeeded for some years in impressing nations where guns built for nitroglycerin powder have been supplied that they will work satisfactorily with nitroglycerin powder only, but this notion has been shown to be erroneous, and now it is a relatively small matter to prove to the satisfaction of interested people that nitrocellulose powders can be made that will give equal satisfaction in guns of the so-called "nitroglycerin" type.

The competition that we have to fear is that of the German, French, and Italian, but principally German, and unless there is something with which I am not familiar I cannot see in what way any arrangement we make with Nobel will protect us against this competition. In fact, even in the case of the English-made guns, if the nation should insist on using nitroglycerin powder, we are still unprotected by reason of Italian competition. Therefore, as I see it, we will be making an arrangement whereby instead of dividing a fair profit which division will net us more, we will in reality be in an arrangement where the division of profit will be materially lessened by reason of the fact that we still have the competition of Germany, France, and Italy to meet.

The above indicates the practical side, but there is another angle which in my mind is the more important, and that is, that by making an arrangement to divide profits on sales of military explosives, we are inviting the attack of unfriendly people and muckrakers. No matter how clean the arrangement may be, it is bound to be misconstrued. We will be accused of exchanging Government information with England. Our explanation that this is but a selling arrangement will not alter the fact that in order to divide profits, those profits are based on some cost. That cost will be stated to be the United States Government cost. Therefore, we will be informing England as to what it is costing the United States to manufacture its powder. We will also be accused of informing England as to the quantity of powder for military purposes made in the United States; how much is exported; and how much the United States has.

In spite of the fact that on interchange of information on patents, military explosives are specifically exempted, we will be attacked with the statement that by informing them of the sales and the costs on which the profits are based, that we cannot avoid informing them regarding compositions. This arrangement will give representatives in Congress just the ammunition they are looking ofr to attack us, and we will be accused of being traitors; of giving away Government secrets, etc. All we have to do is to look over the hearings on the different appropriation bills to realize what thin ice we would be on.

In addition, the attack made on us in Harper's Weekly in 1914 is still pretty fresh in our minds, and we still hear of this occasionally. The testimony and exhibits at the time of the du Pont dissolution suit, the testimony and exhibits at the time of the Post-du Pont libel suit, are conclusive evidence of the risk we are running.

In that case there was this difference; when we were accused of interchanging information with Germany on account of the arrangement we had with the Rhenish-Westphalian Company, this agreement had been made at the request of the Secretary of the Navy. The arrangement which we are contemplating at the present time has no such foundation and I am sure would not be looked on with favor by the officials of the Army or Navy. Furthermore, I fear that such an arrangement as we are contemplating would jeopardize our present friendly relations with the Army and Navy, for their representatives would hesitate about taking us into their confidence for fear that the information would reach England.

From the above, it would appear to me that in this arrangement we have everything to lose and nothing to gain. If it was going to result in some satisfactory return, then we might feel that we would be justified in taking a chance on hostile attacks, but it appears we will be in reality only cutting our profits in two, profits that will be fairly narrow by reason of German, French, and Italian competition, and then in addition will be placing ourselves in a vulnerable position or hostile attack. It seems to me that we should give the subject very careful consideration before entering into such an arrangement.

(Signed) K. K. V. Casey,
Director of Sales.

Exhibit No. 992

[File–MS–100–C]

(Trip to Washington, D.C., May 16, 1922)

May 17, 1922.

Memo for file.

Called on Major O'Leary, small arms division, regarding purchase from Frankford Arsenal of 160,000 cupronickel bullet envelopes, lead plugs, and surrated plugs for incediary ammunition. Major O'Leary had received a letter from Major Whelen on this subject. He stated that it was not regular procedure to sell material which was being held in reserve; but due to the fact that we needed the components in a hurry, he would oblige us and would at once notify Frankford Arsenal to make the sale under the conditions outlined in Major Whelen's letter of May 15th. Major O'Leary also stated that we could obtain the material on Thursday, May 18th.

Interviewed the following officers of military intelligence regarding Siam: Capt. O'Connor, Capt. Vanderbilt, Capt. Baldwin, Col. Graham.

Read their file on Siam, but no reference was made to the building of a powder factory in Bangkok. Capt. Vanderbilt returned from Siam in April, and he stated that he was not of the opinion that Siam contemplated building a powder factory. He felt quite sure it would have been drawn to his attention by the military attaché. However, Capt. Vanderbilt spent but six days at Bangkok and stated that nothing was mentioned by the military attaché regarding the construction of a powder factory.

Capt. Vanderbilt also stated that Siam liked to deal with Americans in preference to British or French and did not believe that a powder factory would be much of a success in Bangkok, since they had heretofore purchased powder from the du Pont Co. Capt. Vanderbilt promised to speak to some Siamese friends of his who recently arrived in Wilmington and believes he can get some up-to-date information from them on this subject.

Capt. O'Connor promised to request the Navy to send a wireless through to Bangkok and inquire as to the matter of a powder factory.

We consider this information confidential.

E. I. du Pont de Nemours & Co.,
By K. K. V. Casey.

May 17, 1922.

Major Baldwin advised that the Baldwin Locomotive Co. had a very complete file on Siam and suggested that we inquire from that concern as to the correctness of four information on a Siamese powder factory.

Called on General Humphrey and asked him what he knew about Mr. A. W. Randall. Told General Humphrey that Mr. Randall mentioned his name during a conversation, and further stated that he, Mr. Randall, was very well connected with the Polish Government. General Humphrey reported that he knew Capt. Randall very well in a business way; that Capt. Randal was formerly chief of transportation for the Polish mission in this country, and as General Humphrey supplied boats and arranged for transportation of materials purchased by the Polish mission from the United States Government, he came in contact with Capt. Randall a great deal.

General Humphrey called up the counselor of the Polish Embassy and inquired as to whether Capt. Randall had any connection with them; also as to what they thought of him. I was permitted to listen to the counselor's reply, in which he stated that he had not seen Randall in eight or nine months but thought very well of him. General Humphrey, however, believes that a Major C. S. Marden, purchasing agent for the Polish mission, would be of greater help to us in negotiating a sale of military powder to Poland. He further stated that it was quite likely that he himself could negotiate the deal through the Polish Embassy, where he is very well thought of and highly regarded.

Arranged with General Humphrey for Major Casey to call on him on Friday, May 19th, to go into this subject.

W. H. O'Gorman.

WHO'G/h

We consider this information confidential.

E. I. du Pont de Nemours & Co.,
By K. K. V. Casey.

Exhibit No. 993

[File: MS-8 (attached to letter of 1/9/24)]

Foreign business from armistice to December 31st, 1923

Date	Country	Material	Quantity	Price	Total
4/24/19	Greece	Pressure coppers	5,000	$39.07 per M	$195.35
5/22/19	Greece	I.M.R. # 15	100,000#	80¢	80,000.00
6/3/20	Siam	Pur. I.M.R. # 15	33,600#	80¢	26,880.00
4/15/21	Greece	I.M.R.spec	140,000#	72¢	100,800.00
10/17/21	Spain	Pur. I.M.R. # 15	110,230#	52¢	57,319.60
1/5/22	Siam	Pur. I.M.R. # 17	33,600#	80¢	26,800.00
3/15/22	Spain	Pur. I.M.R. # 15	110,230#	52¢	57,319.60
	Spain	Pur. T.N.T	220,500#	53¢	116,865.00
4/29/22	Mexico	Pur. I.M.R. spec	11,023#	65¢	7,164.95
2/15/22	Japan	Incen. ammunition	140,000 rds	$227.50 per M	31,850.00
8/14/22	Poland	Coyne can., 75 m/m	440,000#	26¢	114,600.00
	Mexico	" " & rifle	110,230#	50¢	55,115.00
	Greece	Pressure coppers	16,000		476.00
	Japan	Incen. cartridges	100,000		22,750.00
	Japan	Smokeboxes	100		1,100.00
	Brazil	Misc. machinery			30,000.00
1/17/23	Brazil	Diphenylamine	150#	70¢	105.00
2/8/23	Holland	Gas masks	2	$14.00	28.00
	Holland	Pyralin grenades	100	6.25	625.00

Foreign business from armistice to December 31, 1923—Continued

Date	Country	Material	Quantity	Price	Total
2/8/23	Poland	Coyne rifle, I.M.R. # 17	110,230#	36¢	$39,650.00
3/7/23	France	I.M.R. # 17	110#	1.10	120.00
		I.M.R. # 15	110#	1.10	120.00
3/26/23	Poland	Coyne can., U.S. 3	551,150#	.26	143,250.00
3/26/23	Poland	Coyne rifle, I.M.R. # 17	220,460#	.36	79,300.00
7/27/23	Mexico	Pistol pdr., # 5	245#	1.30	318.50
9/13/23	Poland	U.S. 5, Coyne can	551,150#	.26	143,250.00
10/4/23	Poland	Smokebox	1	13.00	13.00
12/4/23	Sweden	Diphenylamine	11,023	.50	5,511.50
Total					$1,141,526.50

NOTE.—U. S. Government business not included in above.

EXHIBIT NO. 994

[File: MS–100–B, no. H–24]

8/18/22.

VISIT TO OFFICES OF BETHLEHEM STEEL CO. AUGUST 16TH

Discussed the following subjects with Messrs. Struble, Tice, Mixsell, and Froelich:

1. Test of powder, to be delivered under Polish contract, in 75 m/m French gun. They apparently have no suitable gun at their proving ground, but will determine what can be done and write us.

2. *Experimental and development work.*—(*a*) Discussed history of development and results given by "du Pont 100 grain" primer for 75 m/m, so that its general use, as well as application to FNH powder, would be thoroughly understood. Also discussed general subject of ignition with Mr. Mixsell.

(*b*) Design of "super trench mortar." Bethlehem Steel Co. have a number of inquiries for an improvement over the Stokes mortar, to have greater range, as given by a rifled gun, but without noise or flash, revealing position. Have carried out tests, attaching special aluminum base to 4″ projectile and using celluloid "soap boxes", modified to act as containers for the powder. Have had trouble in that the aluminum base does not hold the rifling properly. Suggested the design of the Livens' projector and charge as being much preferable and promised to cooperate with Mr. Mixsell in obtaining satisfactory design. Will send him drawings of the Livens' projector and write a suitable letter with suggestions from Major Casey.

Reduction in sound to be gained through the use of FNH powder, giving lower temperature and greater gas volume. Inquiries have been for compressed gas apparatus, but this is not considered practical. Suggested desirability of "silencer" on muzzle to reduce sound and flash. Will follow this up as opportunity offers.

3. Learned that Peru has approached the Bethlehem Steel Co. for ammunition for the navy. As soon as detail of gun constants are available we will be asked for estimate on powder charges.

4. Nothing new in Brazilian developments, except that as the battleship *Maryland* and possibly also the *Nevada* will be in the Harbor of Rio de Janeiro at the time of the exposition to represent the United States, the Bethlehem Steel Co. is supplying the officers of the *Maryland* with data on Bethlehem Steel guns and armament for appropriate use. We will endeavor to determine to what extent this suggestion might be followed to our advantage, it being primarily a question of personalities, etc.

5. Mr. Struble reiterates previous statements to the effect that although sales of their military supplies for exports are not very active at present, the prospects for sales in a few years' time are very good indeed.

C. I. B. HENNING.

CIBH/h.

("Exhibit No. 995" appears in text on p. 2652.)

Exhibit No. 996

[File: MS–8]

March 26, 1924.

Assistance from Navy Dept. in Connection with Sales to Foreign Governments.

Memo. for A. Felix du Pont.

In December 1923, during an interview with Admiral Bloch of the Navy Dept., I was informed that the Bureau of Ordnance, Navy, would do everything within its power to assist us in making sales to foreign governments. Further, Capt. Bloch stated that the E. W. Bliss Co. recently approached the Navy in connection with torpedoes to be supplied to the Argentine Government. The E. W. Bliss Company was interested in getting some data on high explosives used in loading torpedoes and asked the Navy to recommend or refer them to a firm which could do this type of work. Admiral Bloch referred the Bliss Company to the writer, and formally notified us to this effect under date of January 2d, 1924, as per copy of letter attached.

Representatives of the Bliss Company came to Wilmington to obtain our quotations on the loading of 75 warheads. For this work we furnished quotations of $300 per warhead. The operation involved loading 395 pounds of TNT in each warhead and 5 pounds of TNT in the booster container.

This morning we were notified by E. W. Bliss that they had concluded their negotiations in Argentine and had been favored with a contract and therefore accepted our offer to load 75 warheads in accordance with the above prices. The estimated cost in doing this work is $175 per warhead; our forecasted profit is therefore $125 per warhead.

This is a good example of cooperation on the Navy's part, and we believe it is worth while to make the facts of the case known to the executive committee.

KKVC: N

K. K. V. Casey, *Director.*

Exhibit No. 997

[File 144, Polish Government]

July 24, 1924.

CC: BRANDYWINE LABORATORY.

Mr. F. W. Bradway,
Director:

Colonel Taylor, in his letter T–309 dated July 11, 1924, advises that the Polish War Department is sending to Wilmington at our invitation an officer named Captain Maryan Klonowski. This officer is attached to the Xth Department of the Polish General Staff, known as the War Industry Department. We understand that he is a chemist and that his duties are technical, that he is supposed to keep informed on all chemical industries, and acts in an advisory capacity to the chief of the department on technical chemical matters. He has no knowledge on the manufacture of smokeless powder and the purpose of sending him to America is to educate him in this respect. In all probability, he will be mostly concerned with raw materials entering into the manufacture of powder,

From Taylor's letter, we quote as follows:

"I am very glad he is going to be sent to America because it will mean that the Chief of the War Industry Department chemical man will be American in his powder point of view, and insure a good work for us in that Department which has an important effect on our business."

The program which they desire for this officer is as follows: When he arrives in America, he will go directly to Wilmington and present himself to Major Casey. I have given him a letter of introduction. He will also have a letter from General Rice to an officer in the Ordnance Department in which General Rice will request the Ordnance Department to show him our various schemes of mobilizing the powder industries, what contracts our Government makes with powder industries, and have him visit the Government arsenals. He then wishes to return to Wilmington and to learn what raw materials enter into powder, the proportions of them, general manufacture of powder, and how to make chemical and stability tests and how our storage of test magazines are operated. This officer will travel at his own expense, pay his own expenses and is willing to work as a common laborer in the factory under the ordinary conditions of factory labor.

"I trust you will be able to arrange a suitable program for him so that he will get general information and not learn the things you don't want him to know and that he will get some idea of how the powder business should be conducted, and contracts and so forth should be made. I believe that it will be a good thing for us to have an opportunity to educate him and the proper method of doing business in America, as this officer's functions in Poland will be a check on the activities of the other people we have to deal with."

We think it would be wise to arrange a program at the Brandywine Laboratory for the Polish officer, and possibly take him to Carney's Point on 2 or 3 occasions, and permit him to see the manufacture of military powder.

WHO'G/h. K. K. V. CASEY, *Director.*

(" Exhibit No. 998 " appears in text on p. 2661.)

EXHIBIT No. 999

[File: MS-100-B, no. 106-H]

NOVEMBER 20, 1924.

DIPHENYLAMINE, ORDNANCE DEPARTMENT, WASHINGTON, D. C., NOVEMBER 19, 1924

Referring to memo. no. 105, dated November 18th, and following up the unfinished features of this, trip was made to Washington to negotiate details by which we would obtain the diphenylamine, also to increase the amount, if possible. Major C. T. Harris had given Major P. J. O'Shaughnessy instructions to have a contract prepared acceptable to us, but at the same time complying with Ordnance Department procedure and the laws of Congress relating to contracts for ordnance material. Major O'Shaughnessy's first move was to consult the ammunition division as to their wishes, and especially the matter of detail of specifications. C. G. Storm handled this matter for the ammunition division, and inasmuch as this subject had been previously discussed with Dr. Storm on Monday, November 17th, he was not inclined to make any trouble.

As a follow-up of this discussion, it will be desirable to send to the ammunition division again, for the attention of Dr. Storm, report of investigations carried out by the experimental station a number of years ago indicating the effect of impurities in diphenylamine when used for stabilizing cannon powder. Also, it will be in order to consider further revisions of the specifications for diphenylamine, taking advantage of the fact that we are now enabled to manufacture a pure product because of our experience in the manufacture of diphenylamine as an intermediate in preparing dyestuffs. The particular point is that the Ordnance Department specifications contain no requirement as to the percentage of diphenylamine in the product supplied, depending upon various physical tests such as melting point and the tests for certain impurities.

Our commercial specifications state that the diphenylamine offered will contain at least 99.5% diphenylamine. Major O'Shaughnessy would like to have made use of the new specifications for reworked diphenylamine as a justification for the contract for " reworking ", but we convinced him that the time necessary to prepare and have approved new specifications, was such that it was impracticable to do this.

The contract prepared for reworking 60,000 pounds of diphenylamine and as eventually obtained, follows the laws of our " standard contract " as used in the supply of smokeless powder to the Ordnance Department. The provisions of the contract are made as simple as possible and require no bond for the performance. Further, article VI relating to liquidated damages has been deleted and the date of delivery was made very liberal, that of March 31, 1925. We have arranged to have deliveries at Raritan Arsenal, and this point has to us the advantage of involving lower transportation costs than delivery to Picatinny Arsenal.

A justification for this from the standpoint of the Ordnance Department is that Picatinny Arsenal is short of storage facilities.

It was arranged to have Major Ramsey at Picatinny Arsenal notified officially by telephone of the preparation of the contract and official letter was mailed him yesterday giving him authority to release 60,000 lbs. of diphenylamine to us. It is in order to discuss this subject with Major Ramsey and to ascertain any criticisms or objections that he may have. The writer will undertake to do this.

C. I. B. Henning.

Exhibit No. 1000

[File: 188–U. S. Govt. (Army) Diphenylamine]

[Copy]

Wilmington, Del., *November 19, 1924.*

Major N. F. Ramsey,
Picatinny Arsenal, Dover, N. J.:

Our truck will call at arsenal Thursday for load of diphenylamine. Will you please deliver approximately ten thousand pounds in accordance with our agreement with Ordnance Department. Letter giving shipping instructions for balance of approximately fifty thousand pounds follows.

K. K. V. Casey.

Chge: Smokeless powder selling expense*ms*tt.
No. 807–H. Please return third copy to Mil. Sales Div.

("Exhibit No. 1001" appears in text on p. 2666.)

("Exhibit No. 1002" appears in text on p. 2668.)

("Exhibit No. 1003" appears in text on p. 2670.)

("Exhibit No. 1004" appears in text on p. 2671.)

("Exhibit No. 1005" appears in text on p. 2672)

Exhibit No. 1006

[[1] 188–23–T. Ms–100–A. 188–U. S. Gov't. 34–Cuban Gov't.]

January 12, 1934.

Memo. for file.

Washington, D. C., *January 11, 1934.*

Saw Colonel Ramsey and Dr. Storm and handed them a memorandum prepared by Mr. Babbitt of the explosives department on the approximate cost of different methods of reconditioning TNT now at Fort Wingate, which is below the desired melting point. This memorandum was exactly what they desired, their object being to show the Ordnance Department it would be preferable to purchase new TNT.

Colonel Ramsey advised me that he had started things moving on the memorandum prepared by Mr. Skilling regarding the labor situation at Carneys Point.

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[1] Pencil markings.

Saw General Bricker and left with him a copy of Mr. Skilling's memorandum of December 29, on the subject of labor conditions at Carneys Point. I advised him, however, that since that was written we had received a proposal for 150,000 pounds of .30-caliber powder, which would change the picture to that extent.

Took up with Major Wilhelm the question of penetration of .50-caliber cartridges in armor plate at different distances, this information being needed to answer an inquiry from the Paris office affecting the offer of some Remington armor-piercing ammunition.

Saw General Tschappat, who advised me that while they had had nothing definite regarding the Public Works money for the fiscal year 1935, that they were relying on the promise the President had made to the Assistant Secretary of War, Woodring, where he agreed to allot the Ordnance Department $6,000,000 per year for two years in order to enable them to continue with their ammunition projects.

Had quite a discussion with Major Borden on the general topic of the sales of powder to foreign countries. Major Borden stated that they knew the position du Pont would take in such matters in case they should request that material not be supplied to a certain power, but he asked if we would be willing to go a step further and refuse to supply material to a manufacturer of ammunition who in turn might be offering it to a foreign power where they were anxious to prevent this foreign power from getting ammunition. I soon gathered from Major Borden that he had in mind particularly .50-caliber powder; and while he did not mention Cuba, it was clear that he was referring to the shipment by the Remington Arms Company of 100,000 rounds of .50-caliber ammunition. Major Borden advised me that the money for the purchase of 150,000 pounds of .30-caliber powder had come about in this manner. After setting aside all the money secured from the Public Works last year, they discovered they would have a slight surplus, and therefore it was decided that, rather than turn this money back to the treasury, they would utilize the surplus to buy what material they could for the next fiscal year's consumption.

I discussed generalities with Colonel Wesson and Major Zornig.

K. K. V. Casey, *Director.*

KKVC:MH

Exhibit No. 1007

[[1] 188–U. S. Gov. Gen. MS–144]

May 22, 1931.

Mr. T. R. Hanley,
Legal Department.

In reference to negotiations now being conducted between the du Pont Ammonia Corporation, and a national of a foreign friendly government, I do not see any necessity at the present time of notifying either the U. S. State Department or Military or Naval Intelligence in view of the fact that the negotiations are confidential from a commercial standpoint.

The du Pont Company and its subsidiaries are under no legal or moral obligation to convey information of a confidential commercial character to the U. S. Government. It is, however, our custom to advise them of such matters at such times as it is discreet to do so and always before the information has been made generally public.

On several occasions where we have given such information to the Government, they have always thanked us and mentioned their appreciation of the fact that we had given them information when under no obligation to do so.

While I am firmly convinced that any information given to Military Intelligence or Naval Intelligence would be regarded and held as confidential, in view of the delicacy of the negotiations at the present time, I believe that no mention should be made until the other party of this negotiation has so arranged their affairs as to render the dissemination of the news as harmless.

Aiken Simons.

AS:LCM

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[1] Pencil markings.

Exhibit No. 1008

[File 34–Chinese Government. 188–Pdr. stored at Old Hickory. 188–St. Julians Creek. MS–67–A]

D–4

September 21, 1929.

Mr. W. H. O'Gorman,
16 Place Vendome, Paris, France.

Dear Bill: I believe Jack Guenveur has written you of the cable received from Nick this morning, announcing his success in getting a contract.

Major Casey suggests that I advise you that we believe that all purchases for the Mukden Arsenal will be made through Nanking in the very near future if such is not already the case, since Nanking already buys for all the other arsenals and the tendency of the Northern Chinese Government to adhere to the National Government is becoming stronger as time goes on.

This will be distinctly advantageous for us, in that it will simplify the question of getting export permits from the State Department and will tend to concentrate all negotiations with the Chinese Government into the hands of the Shanghai and Wilmington offices.

Major Casey was in Washington yesterday and was told that an inspector general has been appointed to look into the matter of putting the powder under water at Old Hickory. This officer, Col. Louis J. Van Schaick, of the Inspector General's Department, was put on the job by Gen. Summerall and not by the Secretary of War, as we had previously understood.

Col. Van Schaick is an Infantry officer, who knows little or nothing about powder and is looking into the question as to whether the Ordnance Department was not culpable in putting the powder under water. He has also asked several officers if they own duPont stock, etc., so that the investigation appears to take the nature of persecution rather than an inquiry.

The above for your information. Do not broadcast it.

A fire at St. Juliens Creek destroyed 128,000 pounds of powder, which we had been awarded at a recent sale, but fortunately we had not completed the purchase, so that we are not losers thereby.

It is supposed that the powder itself caused the fire, so that we are doubly fortunate in not having taken possession of it.

Everything is going very smoothly in the office, but we will be very glad, indeed, to see you when you get back.

Sincerely,

Aiken Simons.

AS:RVC.

("Exhibit No. 1009" appears in text on p. 2683.)

("Exhibit No. 1010" appears in text on p. 2685.)

("Exhibit No. 1011" appears in text on p. 2685.)

("Exhibit No. 1012" appears in text on p. 2686.)

Exhibit No. 1013

[File: MS–80–A D–871]

April 12, 1926.

Col. W. N. Taylor,
47 Avenue de l'Opera, Paris, France.

Dear Sir: 1. Attached please find confirmation of our cable no. 330. You will note that we have decided to let Major de Lanoy quote direct to Poland through Mr. Klawe on the chemical warfare project.

2. It is quite essential for you to know the company's attitude toward this project, and we will therefore give you the details as follows:

3. When the inquiry was first received from the Polish War Department, we consulted Major de Lanoy and asked him to prepare a detailed proposal for submission to Poland, either directly by him or by the Du Pont Company, in which latter case De Lanoy was to act as our technical adviser. We also referred the matter to our dyestuffs department and asked them to prepare a proposal. Our dyestuffs department decided that we were not in possession of complete technical details which would enable us to handle the Polish warfare project, and that unless we could secure the complete cooperation of the U. S. Ordnance Department, particularly the Chemical Warfare Section, it would be useless for us to undertake the construction of the chemical warfare plant.

4. To obtain the cooperation of the War Department we addressed the Secretary of War, who in turn submitted our question to the State Department. After many weeks we received a reply from the State Department which was quite evasive and left us in the same position that we were when the Polish inquiry was received. We decided that we could not get a firm assurance of cooperation from the War Department because of the position taken by the State Department, and thought it best to let Major de Lanoy proceed and submit his proposal.

5. We have addressed the Polish War Department on this subject, with copy of letter to you, also copy to Mr. Klawe.

6. Major de Lanoy is willing to let Mr. Klawe act as his agent in this matter, and has included in his price a commission of 5% for Mr. Klawe. Major de Lanoy will send his proposal to Mr. Klawe, who in turn will present it to the Polish War Department in De Lanoy's name. Major de Lanoy will write Mr. Klawe in detail and we will keep you posted on developments from this end. If De Lanoy is awarded a contract we will receive no commission. The matter will be handled entirely by De Lanoy and Klawe. We cannot afford to arouse the criticism of the State Department because you are familiar with the position they take on chemical warfare gases. If we were in possession of complete technical details which would enable us to construct and operate the proposed chemical warfare plant, we would undertake the project regardless of the attitude taken by the State Department. Major de Lanoy seems to be in this position and we are sure no criticism will be directed against him for technical services which he may render to the Polish Government.

7. We regret the delay occasioned by the Government Departments. You appreciate that this was entirely beyond our control, and that we could not function until we received a reply from one or both of the Government Departments.

Very truly yours,

K. K. V. Casey, *Director*.

WHO'G:N

P. S.—Will you kindly assign code words as follows:

YCLZE—.50 cal. gun.
YCMAE—Chemical warfare plant.
YCMCA—Major S. J. de Lanoy.

Exhibit No. 1014

[D–867]

April 5, 1926.

Col. W. N. Taylor,
47 Avenue de l'Opera,
Paris, France.

Dear Sir: We acknowledge receipt of your cable #412 and confirm our reply #329.

CHEMICAL WARFARE PLANT—POLAND

1. As soon as we received the letter from the Polish War Department requesting us to submit a proposal on the installation of a chemical warfare factory in Poland, we conferred with Major De Lanoy and turned the matter

over to him. He in turn has worked up a detailed proposal which has been in our hands for several weeks. The project was fully discussed with our dyestuffs department and it was decided, from a policy standpoint, that the du Pont Company would not bid on the project unless we received a complete authorization from the War Department. We accordingly addressed the War Department and asked them to state their position in connection with the inquiry. The War Department in turn submitted the matter to the State Department and no decision has been received from the State Department as yet. In the event that the State Department takes the attitude that we should not bid, we will turn the matter over to Major De Lanoy, who will immediately submit a proposal. He will forward the proposal to Mr. Klawe and Klawe can act in his behalf.

2. We have had several cablegrams from Mr. Klawe on this subject and replied to him, stating that the proposal would go forward about March 15th. This occurred, however, before the policy of the du Pont Co. had been determined. The submission of the project to the War Department has greatly delayed forwarding the proposal in question. It is hoped, however, that a decision will be reached before the end of this week, in which event a proposal will go forward either from du Pont or from De Lanoy.

3. We regret that a delay has occurred in connection with this project. It is not a matter for the smokeless powder department to decide, and, therefore, we are obliged to await the pleasure of other officials of the company.

Very truly yours,

K. K. V. Casey, *Director.*

WHOG/h

("Exhibit No. 1015" appears in text on p. 2689.)

("Exhibit No. 1016" appears in text on p. 2692.)

("Exhibit No. 1017" appears in text on p. 2692.)

("Exhibit No. 1018" appears in text on p. 2694.)

Exhibit No. 1019

[File: U. S. Government Edgewood Arsenal, C. W. S.]

January 26, 1929.

Dr. C. M. Stine,
Chemical Director.
B L D G.

COOPERATION WITH CHEMICAL WARFARE SERVICE

Confirming informal discussion with you yesterday, there are a number of reasons why our contact with Chemical Warfare Service should follow principles similar to our contact with the Ordnance Department, U. S. Army, and Bureau of Ordnance, U. S. Navy. We recognize the essential difference that for the present there is prospectively little to sell to Chemical Warfare, also that the company's developments in fundamental research are of such a character that the writer, for instance, is not a competent judge of what is and what is not important to the other industries with which this department is not connected; and hence, our suggestion that individuals in the chemical department and the company's laboratories be careful to refer all these questions to you personally before passing information on direct to individuals from Edgewood Arsenal or the Chemical Warfare Service's offices in Washington.

It is also appropriate to review a little of the past history of this subject. In February 1924, question was raised as to our assisting Dr. Rossi, an important Italian chemical manufacturer, with technical advice in the erection and putting into operation of a plant in Italy for the manufacture of war gases for the Italian Government. Mr. Irenee duPont wrote General Fries under date of February 4, 1924, stating, " We believe the duPont Co. should not undertake work of this sort for a foreign government except on the written request of the Secretary of War stating that it is done in the interest of the U. S. Government, and in the present case, authorizing the Chemical Warfare Department to give us such assistance as they feel is justifiable to aid us in properly doing the work, in return for which this company will keep the Chemical Warfare Department posted with such information as we may obtain." No answer was forthcoming from General Fries for some time, and on December 2d, Mr. Irénée du Pont and Mr. A. Felix du Pont attended a meeting in the office of the Secretary of War, at which were present Assistant Secretary of War Davis, General Williams, Chief of Ordnance, and Col. Ferguson. It was found that after the matter was explained to Secretary of War Weeks, he was entirely in sympathy with the proposition and promptly arranged for an interview with the President. The entire party, with the exception of Col. Ferguson, put this matter up to Mr. Coolidge, who promptly grasped the basic principles and in a few words stated what practically amounted to the " munitions policy."

Nothing has ever been done in connection with the Italian proposition, but the above facts are given you as a guide for action in any similar problem that may arise in the future.

Referring to the questions raised during and after our visit to Edgewood Arsenal of last week, the writer endeavored to discuss this subject with Gen. Fries, bearing in mind the statement of Major Prentiss that he intended to discuss with Gen. Fries an interchange of reports of research work between the duPont Co. and Edgewood Arsenal.

We realized from our experience as outlined in the first paragraph, that such an interchange should be primarily through the Washington Office rather than direct with Edgewood Arsenal. Major Prentiss' statement on this subject came after you had left Edgewood Arsenal.

We have taken the initiative and consider it entirely in order to invite properly accredited representatives from Edgewood Arsenal to visit our laboratories, and specifically, Major W. H. Lyon, Chief of the Technical Division of the Chemical Warfare Service in Washington, was invited to come to Wilmington. We have in mind that you will issue proper instructions to the laboratories prior to any visits made by representatives of the C. W. S. We assume that you will advise your assistants of the essentials of this situation, so that in your absence the fundamental principles will be adhered to, in order to protect not only our interests, but to preserve harmony with past negotiations with the C. W. S.

CIBH/h.

C. I. B. Henning,
Technical Director.

We consider this information confidential.

E. I. du Pont de Nemours & Co.
By K. K. V. Casey.

(" Exhibit No. 1020 " appears in text on p. 2698.)

(" Exhibit No. 1021 " appears in text on p. 2698.)

(" Exhibit No. 1022 " appears in text on p. 2700.)

(" Exhibit No. 1023 " appears in text on p. 2701.)

Exhibit No. 1024

[84—Holland Gov't. * Ms–49]

June 25, 1930.

Chief of Ordnance, U. S. Army,
Munitions Building, Washington, D. C.

Dear Sir: 1. Under authority contained in section 123 of the National Defense Act, the du Pont Company requests the loan of one 75 M/M gun, model 1916–1917, for the purpose of making tests to perfect FNH powder.

2. If this loan is approved, the du Pont Company agrees to furnish a satisfactory bond in such sum as the chief of ordnance may deem desirable and to save the United States Government harmless from loss or damage to the gun, as well as paying such sum as the chief of ordnance may deem sufficient to cover the wear and tear on the gun, depending on the number of shots fired during its loan or any other proper wear and tear incident to its use.

3. In making this request, the company feels justified since on previous occasions and under provisions of the above act, equipment has been borrowed from other services.

Yours very truly,

K. K. V. Casey, *Director.*

AS: LCM.

Exhibit No. 1025

[* 144, Polish Govt. MS–80–A. D–2285]

April 23, 1931.

Colonel W. N. Taylor,
16 Place Vendome, Paris, France.

Dear Sir: Regarding the discussion that Mr. Singer had with Mr. Gray of the U. S. Sperry Ordnance Company, Mr. Gilmore, vice president of the company, together with Mr. Gray had an interview with us this morning. Mr. A. Felix du Pont, Mr. Porter, Mr. Bradway, and the writer were present.

It was practically agreed that there were certain advantages to be gained by cooperation between the companies. They have discovered that it is difficult to sell fire-control equipment without the gun and it is likewise difficult to sell the gun without the ammunition. In our case we have likewise found it would be to our advantage to be tied up with a proposition involving complete equipment.

The question of securing a gun from the Ordnance Department and shipping it to Poland was found to be neither feasible nor desirable. It was, therefore, agreed that the Sperry Company would immediately start work to induce a Polish mission to visit this country at the expense of the Sperry Company to witness a demonstration of the 3″ A. A. equipment and other material, if deemed necessary. The Ordnance Department have already agreed to put on such a show.

The advantages of this method are manifold; in the first place, we can rest assured that the tests will be of such nature as to be at least favorable to the material being demonstrated. The personnel handling the gun or guns will be thoroughly familiar with their job. The mission would likewise be given an opportunity to visit the different plants involved in the manufacture of this equipment, which would naturally include the du Pont plant and the fact that the tests would be official tests of the U. S. Government could be played up tremendously.

The expense of a mission coming to this country would be considerably less than the expense involved in securing a gun and shipping the same to the other side, together with the proper personnel to handle it, as well as the other personnel involved in the negotiation.

With Pilsudski's return to Warsaw the conditions may be more favorable than they were heretofore.

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* Pencil markings.

By next Monday the Sperry people expect to have a considerable amount of data collected and on Tuesday the 28th, we expect to receive word from the Sperry people as to what has been accomplished.

Mr. Gray is sailing for Europe on Wednesday the 29th. We cannot, as yet, advise the steamer as his reservations have not been made but promptly upon receipt of same we will cable you. He expects to arrive at Cherbourg and proceed directly to the du Pont office in Paris. He will be prepared to discuss cooperative efforts along lines to our common interest and will be particularly anxious to discuss with Colonel Taylor the question of a proper agent for the Sperry Company in Warsaw.

The basis of the willingness of the Ordnance Department to render this assistance is predicated on the general theory that it is necessary for the national defense to do everything possible to help maintain private manufacture in the ammunition game. Therefore, any assistance they can render to bring this about they will do but they are not interested in a proposition to establish the manufacture of Army ordnance material in foreign countries unless they merely represent a small proportion of the number to be manufactured in the United States. In other words, the facilities for manufacture are the plain objective of the Ordnance Department.

The Sperry people feel that the experience we have had in European negotiations is quite a factor and our participation in any such arrangements would be limited to the extent of the material to be furnished by us.

If there are any further developments along this line, we will advise you promptly.

In view of the fact that Mr. Singer's letter was hadwritten, we are enclosing a typewritten copy of his letter for your files.

Very truly yours,

K. K. V. Casey, *Director.*

KKVC:MH

("Exhibit No. 1026" appears in text on p. 2706.)

Exhibit No. 1027

Treasury Department,
Washington, Dec. 10, 1934.

My Dear Mr. Chairman: In reply to your letter of October 31, 1934, regarding appropriations, allotments, and expenditures of the War and Navy Departments for the fiscal years 1912 and 1934, there are enclosed herewith:

Exhibit I, showing appropriations and expenditures from appropriations for the War and Navy Departments from 1912 to 1934.

Exhibit II, showing allotments by Public Works Administration for War and Navy Departments and expenditures from such allotments during the fiscal year 1934.

By direction of the Secretary:

Very truly yours,

Herbert E. Gaston,
Assistant to the Secretary.

Honorable Gerald P. Nye,
Chairman Special Committee Investigating the Munition Industry,
United States Senate.

encls.

Exhibit No. 1028

Statement showing allotments to the War and Navy Departments authorized by the Public Works Administration to Nov. 28, 1934, and expenditures from those allotments during the fiscal year 1934

	Allotments authorized by P. W. A.	1934 expenditures
WAR		
Air Corps (airplanes)	$7,500,000.00	$14,922.23
Rivers and harbors	276,604,752.84	50,232,192.88
Flood control	68,003,000.00	24,834,446.65
Seacoast defenses	7,000,000.00	2,416,590.85
Insular affairs	1,500,000.00	239,160.37
National Guard	2,238,624.00	1,113,212.62
Ordnance, ammunition, and equipment	8,679,491.00	4,446,489.52
Quartermaster Corps, housing and technical construction and motorization	72,641,233.50	27,303,122.62
Panama Canal	1,000,000.00	808,522.12
Other	801,811.00	518,520.00
Total	445,968,912.34	111,927,179.86
NAVY		
Aeronautics	7,500,000.00	504,391.14
Engineering	712,500.00	14,700.29
Ordnance	330,225.00	211,345.33
Secretary's office (machine tools)	2,850,000.00	1,084,864.15
Yards and docks	27,636,072.00	11,396,446.82
Vessels	238,000,000.00	23,457,056.19
Other	385,662.00	117,413.93
Total	277,414,459,00	36,786,217.85

EXHIBIT NO. 1029

Statement showing, by fiscal years, for the period 1912–1934, inclusive, for the War and Navy Departments, total appropriations,[1] *and expenditures*[2] *under certain major headings, and total expenditures*

WAR DEPARTMENT

Year	Appropriations			Expenditures				
	Appropriations provided for each year	Appropriations provided on account of deficiencies in prior-year appropriations, etc.	Total appropriations	Pay of the Army	River and harbor work	Panama Canal	All other expenditures	Total expenditures
1934	$362, 303, 249. 00	$1, 973, 084. 38	$364, 276, 333. 38	$114, 122, 111. 16	$153, 916, 107. 80	$9, 655, 780. 09	$133, 559, 197. 34	[3] $411, 253, 196. 39
1933	468, 604, 743. 00	6, 977, 672. 04	475, 582, 415. 05	127, 714, 581. 26	118, 111, 384. 92	11, 417, 757. 84	174, 596, 066. 50	431, 839, 790. 52
1932	460, 078, 650. 00	34, 679, 471. 66	494, 758, 121. 66	136, 201, 566. 49	116, 834, 322. 56	11, 014, 291. 16	214, 966, 539. 87	479, 016, 720. 08
1931	456, 113, 351. 00	21, 686, 023. 83	477, 799, 374. 83	134, 581, 785. 62	121, 286, 815. 18	10, 860, 363. 37	220, 998, 291. 54	487, 727, 255. 71
1930	459, 798, 777. 00	15, 191, 408. 89	474, 990, 185. 89	133, 609, 946. 28	106, 355, 822. 95	12, 263, 852. 50	213, 007, 858. 88	465, 237, 480. 61
1929	408, 605, 351. 50	58, 189, 979. 63	466, 795, 331. 13	128, 378, 359. 12	83, 388, 415. 24	10, 563, 417. 32	201, 258, 576. 85	423, 588, 768. 53
1928	367, 857, 329. 00	2, 571, 981. 67	370, 429, 310. 67	129, 188, 688. 28	78, 429, 046. 52	11, 688, 129. 63	178, 865, 715. 56	398, 171, 579. 99
1927	354, 345, 801. 16	13, 039, 845. 47	367, 385, 646. 63	121, 993, 114. 94	65, 384, 524. 23	9, 098, 066. 11	167, 699, 039. 23	364, 174, 744. 51
1926	339, 797, 971. 00	24, 826, 880. 63	364, 624, 851. 63	122, 784, 885. 61	69, 003, 553. 19	9, 572, 655. 95	156, 967, 980. 87	358, 329, 075. 62
1925	334, 553, 786. 13	6, 786, 021. 76	341, 339, 807. 89	123, 390, 154. 22	79, 429, 042. 93	9, 923, 199. 66	145, 215, 023. 28	357, 957, 420. 09
1924	349, 192, 582. 00	6, 017, 936. 60	355, 210, 518. 60	121, 161, 424. 22	75, 692, 497. 95	7, 535, 675. 34	144, 216, 649. 42	348, 606, 246. 93
1923	346, 866, 387. 17	12, 725, 113. 44	359, 591, 500. 61	132, 481, 021. 30	51, 393, 223. 39	4, 570, 692. 57	167, 277, 918. 99	355, 722, 856. 25
1922	397, 534, 873. 06	61, 545, 483. 14	459, 080, 356. 20	50, 693, 402. 99	43, 262, 427. 26	3, 687, 362. 85	304, 415, 256. 52	402, 058, 449. 62
1921	493, 721, 286. 20	1, 253, 690. 88	494, 974, 977. 08	421, 437, 334. 23	58, 820, 322. 30	18, 318, 397. 85	82, 218, 837. 04	580, 794, 891. 42
1920	866, 568, 931. 82	9, 896, 004. 99	876, 464, 936. 81	360, 210, 631. 87	49, 873, 930. 42	9, 465, 056. 54	690, 050, 316. 64	1, 109, 599, 935. 47
1919	15, 459, 728, 587. 96	1, 534, 089, 974. 43	16, 993, 818, 562. 39	1, 288, 291, 097. 32	33, 078, 306. 32	12, 265, 775. 08	7, 951, 852, 485. 31	9, 285, 487, 664. 03
1918	7, 549, 931, 015. 46	42, 882, 028. 52	7, 592, 813, 043. 98	737, 463, 827. 57	29, 593, 581. 89	20, 787, 624. 92	4, 935, 524, 680. 97	5, 723, 369, 715. 35
1917	403, 355, 002. 43	39, 727, 458. 23	443, 082, 460. 66	110, 798, 645. 84	30, 487, 559. 82	19, 262, 798. 32	301, 689, 115. 87	462, 238, 119. 85
1916	184, 843, 180. 76	4, 443, 743. 88	189, 286, 924. 64	51, 740, 587. 56	32, 450, 301. 55	17, 503, 728. 07	82, 662, 663. 12	184, 357, 280. 30
1915	177, 390, 457. 07	11, 086, 183. 39	188, 476, 640. 46	48, 057, 877. 13	46, 833, 914. 24	29, 187, 042. 22	80, 296, 835. 55	204, 375, 669. 14
1914	191, 120, 711. 82	3, 818, 914. 98	194, 939, 626. 80	47, 576, 235. 70	49, 921, 592. 16	34, 826, 941. 76	78, 262, 045. 71	210, 586, 815. 33
1913	190, 297, 967. 31	3, 787, 975. 73	194, 085, 943. 04	47, 978, 815. 17	42, 274, 840. 03	41, 741, 258. 03	72, 354, 257. 89	204, 349, 171. 12
1912	198, 420, 649. 06	1, 327, 272. 67	199, 747, 921. 73	43, 971, 725. 09	35, 646, 617. 57	35, 327, 370. 66	71, 430, 553. 01	186, 376, 266. 33
Total	30, 821, 030, 640. 91	1, 918, 524, 150. 84	32, 739, 554, 791. 75	4, 733, 827, 818. 97	1, 571, 468, 150. 42	360, 537, 237. 84	16, 769, 385, 905. 96	23, 435, 219, 113. 19

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[1] Source, Annual Digest of Appropriations.
[2] Source, Annual Combined Statement of Receipts and Expenditures.
[3] Includes expenditures out of funds made available by emergency organizations.

Statement showing, by fiscal years, for the period 1912–1934, inclusive, for the War and Navy Departments, total appropriations, and expenditures under certain major headings, and total expenditures—Continued

NAVY DEPARTMENT

Year	Appropriations			Expenditures				
	Appropriations provided for each year	Appropriations provided on account of deficiencies in prior-year appropriations, etc.	Total appropriations	Pay, subsistence, and transportation of the Navy	Increase of the Navy (construction, etc., of vessels)	Pay, etc., Marine Corps	All other expenditures	Total expenditures
1934	$309,667,160.00	$943,358.28	$310,610,518.28	$129,094,280.39	$66,456,921.33	$17,467,409.54	$88,066,175.62	[3] $301,084,786.88
1933	328,906,141.00	3,127,735.33	332,033,876.33	142,441,211.15	48,319,748.45	20,949,845.73	131,392,993.76	343,103,799.09
1932	360,101,593.00	17,871,474.81	377,973,067.81	152,412,683.78	39,588,673.21	23,133,882.04	139,169,811.79	354,305,050.82
1931	382,505,193.26	6,678,108.95	389,183,302.21	153,591,908.48	39,107,345.01	25,201,898.82	140,372,336.88	358,273,489.19
1930	362,061,247.00	17,090,781.58	379,152,028.58	152,014,165.15	49,780,207.76	26,570,614.91	147,081,130.91	375,446,118.73
1929	364,233,362.00	30,502,982.74	394,736,344.74	148,238,363.75	46,475,447.83	26,437,833.90	145,032,338.85	366,183,984.33
1928	318,131,957.00	2,334,041.47	320,465,998.47	145,216,946.77	38,564,001.87	28,231,069.54	120,100,171.64	332,202,189.82
1927	322,061,975.00	3,728,538.07	325,790,513.07	144,910,449.92	38,831,885.77	23,165,168.44	117,330,673.80	324,238,177.93
1926	302,862,378.00	21,889,654.96	324,752,032.96	141,897,841.99	31,265,245.86	23,837,806.25	114,610,799.61	311,611,693.71
1925	277,208,327.00	1,392,606.22	278,600,933.22	139,114,566.60	38,181,351.93	23,186,779.39	125,882,768.73	326,365,466.65
1924	297,097,250.00	28,225,613.18	325,322,863.18	127,267,135.41	54,650,913.22	25,236,637.15	116,975,311.88	324,129,997.66
1923	298,307,369.00	2,206,292.17	300,513,661.17	142,800,186.28	66,429,462.49	31,253,192.08	82,050,067.97	322,532,908.82
1922	425,848,079.37	63,803,153.62	489,651,232.99	221,227,027.74	143,028,025.57	35,448,401.92	59,091,357.39	458,794,812.62
1921	440,126,994.40	13,451,256.67	453,578,251.07	230,103,870.49	202,469,924.00	35,300,359.61	179,996,491.11	647,870,645.21
1920	624,597,728.88	285,962,399.90	910,560,128.78	209,569,540.61	243,370,338.71	42,853,062.43	136,897,326.19	632,690,267.94
1919	1,695,289,405.55	98,392,674.64	1,793,682,080.19	393,300,176.30	463,584,589.89	73,102,777.99	1,089,058,222.39	2,019,045,766.57
1918	1,596,931,455.45	9,121,219.12	1,606,052,674.57	170,415,126.68	353,532,156.03	46,740,727.07	799,789,397.83	1,370,477,407.61
1917	315,613,781.57	5,104,302.96	320,718,084.53	63,766,846.99	54,926,947.73	14,889,200.20	124,565,092.18	258,148,087.10
1916	152,029,397.96	1,067,756.50	153,097,154.46	50,289,146.04	37,079,260.95	6,193,822.93	62,320,964.74	155,883,194.66
1915	147,874,218.97	2,483,352.27	150,357,571.24	49,695,634.27	39,363,324.69	7,914,785.68	45,747,779.49	142,721,524.13
1914	143,490,118.53	1,492,429.36	144,982,547.89	47,062,996.94	31,728,366.59	7,769,186.53	53,982,509.24	140,543,059.30
1913	126,095,475.21	711,847.37	126,807,322.58	47,006,219.37	29,436,786.37	7,151,184.74	50,498,226.45	134,092,416.93
1912	129,278,166.99	1,332,051.48	130,610,218.47	44,725,994.90	29,803,245.74	7,401,742.92	54,458,676.19	136,389,659.75
Total	9,720,318,775.14	618,913,631.65	10,339,232,406.79	3,246,162,320.00	2,185,974,171.00	579,437,389.81	4,124,560,624.64	10,136,134,505.45

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[3] Includes expenditures out of funds made available by emergency organizations.

Division of Bookkeeping and Warrants, Nov. 19, 1934.

EXHIBIT NO. 1030

[*Ms–100–D, Ms–51, 188–10, 154–Russian Government. S–171]

WILMINGTON, DEL., *April 7, 1932.*

WASHINGTON, D. C., APRIL 6, 1932

Called by appointment on General Hof to discuss House Joint Resolution No. 282 introduced into Congress by Representative Fish of New York proposing a resolution whereby the United States Government would join all other nations in renouncing the sale or export of arms, munitions, or implements of war. Since Mr. Fish has introduced somewhat similar resolutions on several other occasions, the Ordnance Department had not taken the above very seriously and was not aware that it had been reported out of committee and put on the House calendar.

General Hof called up Colonel MacFarland of the office of the Assistant Secretary of War and invited his attention to the above, at the same time calling attention to a letter which The Assistant Secretary of War had written to Mr. Morin under date of March 6, 1928, protesting against House Joint Resolution No. 183 of somewhat similar purport. General Hof suggested that with slight modifications the above letter would serve the purpose of the present time.

At General Hof's suggestion called on Colonel MacFarland and discussed the matter with him. He also was not aware that the resolution had come out of committee.

Called on Admiral Larimer, Chief of the Bureau of Ordnance, United States Navy and discussed the same matter with him. Admiral Larimer called up Captain H. K. Cage, Chief of the Material Division, office of the Chief of Naval Operations and called his attention to the resolution and its status, of which neither of these officers had been aware until their attention was called thereto. Captain Cage will take appropriate action to have the bill opposed on the floor of the House.

Called at the office of Colonel P. J. O'Shaughnessy of the Ordnance Department, who was in Cleveland at that time.

Called on Lieut. Leslie R. Groves and Mr. McCray, office of the Chief of Engineers and discussed T. N. T. demolition blocks. The Corps of Engineers will waive the departure from specifications of the blocks now on order and a reinspection for the purpose of passing them has been ordered.

Lieut. Groves desired information on blasting procedure for the purpose of revising the field engineers' demolition kit. This will be covered in a separate memorandum to the technical section, explosives department.

Called on O. N. I. and discussed the Fish Resolution with Captain Baggaley. Captain Baggaley informed me that the State Department had sent for approval of O. N. I. the du Pont proposal to erect a nitrogen fixation plant in Russia. O. N. I. offers no objection.

Called on G–2 and discussed with Major W. H. Simpson and Lieut. Col. J. P. Marley the above Russian proposal. It would appear that the State Department desires much additional data on this subject and has made frequent calls on G–2 and the Ordnance Department.

It is fortunate that this proposal had been mentioned verbally to O. N. I. and G–2 several weeks ago and it is to be regretted that the military sales division is not kept better informed of du Pont Company contacts with the U. S. Government officials in Washington.

Called at the State Department, and finding that Miss Christenson was absent on sick leave, called on Mr. Maxwell Hamilton for the purpose of sounding out the present attitude of the State Department. Although nothing of great importance developed, it is believed that the visit was opportune and was welcomed by the State Department.

AIKEN SIMONS.

ASAKR

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* Pencil markings.

EXHIBIT No. 1031

[One page of letter only. *Ms-178, Ms-100, Ms-100-D]

WILMINGTON, DELAWARE, *January 17, 1933.*

Confidential Memorandum to Major K. K. V. Casey, Director.

PROPOSED EMBARGO ON THE SHIPMENT OF MUNITIONS

Colonel Taylor in his T-2554 of December 28, which was his annual report for the year, made some very interesting comments on the effect of disarmament in Europe. This was extracted in a memorandum dated January 13, addressed to you and sufficient copies of the memorandum prepared so that they could be handed to interested officials in Washington.

On the morning of Monday, January 16, I called on Major R. D. Brown, of G-2, handed him a copy of the memorandum, and asked his opinion on the situation. Major Brown was frankly concerned, and since the authority requested by the President to declare an embargo on munitions had been presented to the Senate in the form of a bill, and this bill has already been reported out of committee, Major Brown's concern is justified.

I then called on General Moseley, deputy chief of staff, and after waiting some time while General Moseley was in conversation with General MacArthur, the chief of staff, and Mr. Frederick H. Payne, the Assistant Secretary of War, General Moseley received me and after glancing over the memorandum, instructed me to get a copy in the hands of Mr. Payne at once, since Mr. Payne had just been discussing the matter.

I then called on Colonel McFarland, who advised me that it would not be possible for Mr. Payne to see me at the moment but that the memorandum would be placed in his hands at the first opportunity, and that Mr. Payne was much interested in it.

I then called on Captain Ogan, executive officer of Naval Intelligence, and handed him a copy, requesting that it be brought to the attention of the Secretary of the Navy. Captain Ogan informed me that he had no method of getting it to the Secretary of the Navy and advised that I see the Chief of the Bureau of Ordnance. Hence, I called on Admiral E. B. Larimer and handed him a copy of the memorandum. He promised to take the matter up with Admiral W. V. Pratt, Chief of Naval Operations, with the request that Admiral Pratt bring the matter to the attention of the Secretary of Navy and indicate the vital need of maintaining the private manufacture of arms and munitions in this country.

Some time later in the afternoon in the hall I met General Hof, Chief of Ordnance, U. S. A. General Hof seemed to be in an?

(S) AIKEN SIMONS.

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* Pencil markings.

("Exhibit No. 1032" appears in text on p. 2725.)

EXHIBIT No. 1033

[File: MS-100-D. S-41]

JANUARY 26, 1928.
WASHINGTON, D. C., *January 25, 1928.*

It had come to our attention that Representative Hamilton Fish, of New York, had introduced resolutions into Congress forbidding the shipment of munitions to any country with which the United States was at peace. It was desired to ascertain if this bill was known to the War Department and if there had been any change in the previously announced policy of the War Department to encourage the private manufacture of munitions into the United States.

I called on Colonel Standley D. Embick, of War Plans Division, General Staff, who was unaware of the bill but advised me that there had been no announced change of policy on the part of the War Department.

I called on Lieut. Col. William B. Wallace, Executive Officer G–4, General Staff, who knew of no change in policy but arranged to have me meet several officers in the office of the Assistant Secretary of War, as follows:

Col. William P. Wooten (not in).
Major Leonard T. Gerow.
Major Larry B. McAfee.

who discussed the matter at some length. While we were talking, Lieut. Col. James D. Fife came in and continued the discussion. I learned from Colonel Fife and Major McAfee that far from there being any detrimental change in policy of the War Department that the Secretary of War had strongly urged, in his annual report, that every effort be made to encourage private manufacture and had recommended changes in the national defense account, as well as sufficient appropriations to permit educational orders being given to the private manufacturers.

The matter was then discussed with General Williams, Chief of Ordnance, who had not seen the bill but did not take it very seriously. Since Mr. Fish, who introduced this bill, served creditably in the A. E. F. and was promoted to major, it is considered that he is a friend of the Services, and it is possible that his purpose in introducing these resolutions was to render other action ridiculous or ineffective.

Lieut. Col. Perkins, of Military Intelligence, was advised of the proposed visit of Messrs. Cowie and Strickland, of Nobel, to our Carney's Point plant and offered no comment or objection.

The Bureau of Ordnance, U. S. N., had not yet received our letter of January 24th in reference to reprocessing TNT at Yorktown. When the matter was discussed with Lieut. Comdr. Johnson he offered no objections to our study and informed me that the Bureau of Ordnance would probably undertake to reprocess this material themselves. He asked if we could supply second-hand graining mills for TNT. Mr. Patterson, of Indian Head, informed him that we had in surplus. Comdr. Johnson advised me that the silk and black powder shipped to St. Juliens for use in the Argentine naval charges were satisfactory and that we would be advised officially in a short time. The shipping directions for the tanks and crates were satisfactory as outlined in our letter to the Bureau, which would be answered at once.

I had been previously advised by Captain Le Breton, U. S. N., that permission had been granted for Lieut. Gomez to visit Dahlgren and St. Juliens in connection with the tests of Argentine charges. Letters of introduction for Lieut. Gomez had been handed the Argentine naval attaché. This matter was brought to the attention of Comdr. Johnson.

Comdr. Johnson advised me that he, Captain Pickens, and Mr. Patterson were anxious to visit Deepwater Point and Repauno in order to study our laboratory organizations. He was advised that any or all of them were welcome.

The Bureau of Ordnance is considering the installation of an ammonia-oxidation plant at Indian Head, so that a visit to Repauno will be very opportune.

Called on Captain Knox, U. S. N., and advised him that Mr. Burnell Poole had been delayed by sickness, so that his picture would not be ready for presentation until about the 10th of February. Captain Knox spoke of the desirability of having a presentation ceremony at the Naval Academy and giving the matter proper publicity. I informed him that the Du Pont Company would not desire the presentation of these pictures to appear in matter of advertising publicity, but if the Navy Department desired to give out any information, we would offer no objections and that the question of having one of the Du Ponts come to Annapolis to make a presentation would be brought to the attention of the proper authorities in the Du Pont Company.

AIKEN SIMONS.

MH

("Exhibit No. 1034" appears in text on p. 2727.)

("Exhibit No. 1035" appears in text on p. 2728.)

Exhibit No. 1036

War Department,
Office Chief Chemical Warfare Service,
Washington, D. C., February 7, 1928.

Mr. Irénée du Pont,
E. I. du Pont de Nemours and Company, Wilmington, Delaware.

My Dear Mr. du Pont: On January 25, 1928, Mr. Theodore Burton, of Ohio, introduced into the House of Representatives a joint resolution known as House Calendar 136, H. J. R. 183, 70th Congress, 1st session, also given file number report 492. This is a resolution to prohibit the exportation of arms, munitions, or implements of war to belligerent nations. Section 3 starts out as follows:

"As used in this joint resolution, the term 'arms, munitions, or implements of war' means— * * * 13. Poisonous gases, acids, or any other articles or inventions prepared for use in warfare."

Would not such a bill encourage the radicals and communists to continually attack the United States in its commercial relations with other nations when any two or more of them may be engaged in war?

The first term "poisonous gases" may be applied to a thousand and one articles. For example, chlorine was the first gas used successfully as a poison gas. Its effectiveness is such, however, that before the end of the war, it was abandoned as a war gas. However, it is the basis or a very important element in nearly all of the so-called "poison gases." In large quantities against untrained troops, it may still be highly effective.

Notwithstanding it is classed as a poison gas, it is one of the most widely used chemicals in the world today. Approximately 100,000 tons of chlorine gas are generated per year in the United States. It is used here and throughout the civilized world in purifying water, bleaching paper and other materials, reclaiming gold, and for numerous lesser chemical operations. It would be extremely difficult to tell in any particular case whether chlorine was going for war purposes or not.

Phosgene, one of the most powerful of the war gases used effectively in the World War, is used in making dyes and certain medicines.

The next term used in paragraph 13 of the joint resolution is the single word "acids." That includes a whole host of important chemicals. They may or may not have important war uses. For example, carbolic acid, a coal-tar product, is the basis of many disinfectants and of many medicines. Treated with nitric acid, it becomes picric acid, a high explosive. If chlorine be added, it becomes chloropicrin, a war gas. Picric acid is also a dye and an excellent treatment for sunburn.

Nothing but continual controversy could arise in trying to carry out the provisions of this act. The latter part of paragraph 13—"or any other articles or inventions prepared for use in warfare", is so all-inclusive and so indefinite as to amount to nothing in the long run except trouble. Cotton is not supposed to be grown for warfare purposes; yet cotton, treated with nitric acid, becomes guncotton, a high explosive, and when further treated chemically and mechanically, becomes smokeless powder. It also forms various kinds of celluloid, useful in innumerable ways in peace-time manufacture

It is believed that such a bill is exceedingly bad. I am just calling this to your attention as a matter which seems to me to be worthy of serious consideration by those interested in the chemical industry in this country.

Very sincerely yours,

(S) Amos A. Fries,
Major General, Chief of Chemical Warfare Service.

("Exhibit No. 1037" appears in text on p. 2730.)

("Exhibit No. 1038" appears in text on p. 2730.)

("Exhibit No. 1039" appears in text on p. 2731.)

("Exhibit No. 1040" appears in text on p. 2732.)

("Exhibit No. 1041" appears in text on p. 2735.)

Exhibit No. 1042

[File: MS–178]

February 29, 1928.

National legislation.

Mr. H. F. Beebe,
Mgr. Foreign Department,
Winchester Repeating Arms Company, New Haven, Conn.

My Dear Mr. Beebe: Thank you very much for your letter of February 28th in reference to possible action necessary to preserve the best interests of the American manufacturers of munitions.

I am afraid you misunderstood the action that I suggested in reference to Mr. Hoover, since my belief was and is that better results could be obtained if you, as chairman of the committee appointed by Mr. Hoover in 1925, would write him a letter stating the present situation and inviting attention to the certain hardships which would be placed on American manufacturers and the equally certain damage to the interests of the national defense. In this way the matter could be brought to Mr. Hoover's attention and his aid secured without publicity. Whereas the publicity necessarily attendant on a meeting of American manufacturers at Washington to oppose a bill already before Congress would be equally disadvantageous to the manufacturers and to Mr. Hoover.

In reference to your inquiry as to my probable presence in New York in the near future, I do not see any possibility of getting to New York within the next two or three weeks by which time it would probably be too late to take any steps.

I trust you will not think that I am urging my own point of view too strongly but I really believe that the best interests of all would be served, if you would write Mr. Hoover, at your earliest convenience.

Sincerely,

Aiken Simons.

AS: MH

Exhibit No. 1043

[File: Ms–178. Copies: C. Stewart Comeaux, Major Simons, F. C. Nichols]

March 5th, 1928.

Subject: H. J. Res. 171.

To the Honorable the Secretary of Commerce,
Washington, D. C.

Dear Mr. Secretary: You will possibly remember that in 1925 prior to the departure of the delegates of the United States to the Geneva convention for the control of international trade in arms and ammunition you extended an invitation to representatives of arms and ammunition manufacturers to discuss the economic phases of the proposed draft.

The results of the discussion were embodied in a report addressed to you under date of April 14, 1925, a copy of which is attached for reference.

In discussing with some of the arms and ammunition manufacturers the bill introduced by Senator Burton, H. J. Res. 171, the opinion was expressed that from the manufacturers' standpoint this bill if passed would in effect drive to competitors in foreign countries business which might otherwise employ American capital and labor.

From a national point of view the building up of foreign factories at the expense of American institutions would naturally leave the latter less prepared to carry on the work that has in the past and would undoubtedly again be required of them if we were to become involved in a war.

It would further appear that it would give the nation best prepared for war a great advantage over the one that was not, through denying the latter the right of purchase.

Reversing the situation, the United States would be placed in a position where if attacked by another nation it could not purchase any military equipment from another country.

In view of possible results of the passage of the bill in its present form some of which may not have been anticipated by Senator Burton, I have been requested as chairman of the former committee to communicate to you our opinion that this is a matter of sufficient importance to warrant us in suggesting that you consider the advisability of again extending an invitation to interested parties to a conference on the subject.

We will highly appreciate such assistance as you may judge proper and appropriate in this matter which affects the national defense and the best interests of the American industries involved.

Yours respectfully,

H. F. Beebe,
Mgr. Foreign Department,
Winchester Repeating Arms Company.

HFB: ERJ.
Encl.

(" Exhibit No. 1044 " appears in text on p. 2737.)

Exhibit No. 1045

[Written on regular letterhead of the E. I. du Pont de Nemours & Company, Inc.]

E. I. du Pont de Nemours & Company, Incorporated,
Wilmington, Delaware, *March 15, 1928.*

Mr. H. F. Beebe,
Mgr. Foreign Dept.,
Winchester Repeating Arms Company, New Haven, Conn.

My Dear Mr. Beebe: Thank you very much for your letter of March 13th with which you sent me a copy of a letter received by you from Mr. Thomas R. Taylor, Assistant Director in the Bureau of Commerce, as well as your reply to Mr. Taylor, dated March 13th.

I am sending you herewith a clipping from the New York Tribune of March 15th, which develops the fact that the Burton resolutions have been returned to the House Committee on Foreign Affairs and that hearings will be held tomorrow morning. Apparently Mr. Taylor was misinformed on the action of his own Department or he did not wish to make a premature statement of such action.

With the opposition of the War Department, the Navy Department, the State Department, and the Department of Commerce, as well as the American Legion and certain Representatives on the floor, such as Mr. Andrew of Massachusetts, I do not think that we need worry very much about the passage of these resolutions.

You will note from this clipping and from the reference to the Army-Navy Journal of Saturday last to which I previously invited your attention, that the opposition to the bill has been extremely clever in enlisting the aid of the farming, mining, and manufacturing interests of the country by pointing out that their products would be subject to embargo should these resolutions prevail.

My personal belief is that any activity before Congress on the part of your company, mine, or other munition manufacturers would prove a detriment rather than a help to our cause in that it would enable the pacifist and seditious elements to claim that munition manufacturers encourage war and the trade in war material for their own benefit.

Since the four most powerful departments of the Government are opposed to the bill, I believe that we can rest our case. I am in Washington from time to time and have the situation under observation.

Sincerely,

(Signed) Aiken Simons.

AS.MH.

Exhibit No. 1046

[File: MS–178]

Winchester Repeating Arms Company,
New Haven, Connecticut, U.S.A., March 17th, 1928.
(Export division)

Major Aiken Simons,
E. I. du Pont de Nemours & Company,
Wilmington, Delaware.

My Dear Major: This will acknowledge receipt of your letter of March 15th, enclosing clipping from the New York Tribune of that date.

It is fortunate indeed that apparently enough opposition has developed in other directions to make it unnecessary for the munition manufacturers to take any concerted action.

With sincere appreciation of your interest in the matter and your kindness in keeping me informed, I remain

Yours very truly,

(S) H. F. Beebe,
Mgr. Foreign Department.

WRA: HFB: ERJ—39.

("Exhibit No. 1047" appears in text on p. 2743.)

("Exhibit No. 1048" appears in text on p. 2747.)

("Exhibit No. 1049" appears in text on p. 2748.)

("Exhibit No. 1050" appears in text on p. 2748.)

("Exhibit No. 1051" appears in text on p. 2748.)

Exhibit No. 1052

[Copy, Mr. Birney]

New Haven, Conn., *February 16th, 1933.*

Subject: House bill giving power to the President to embargo shipments of arms and ammunition.

Western Cartridge Company,
East Alton, Illinois.
(Attention Mr. J. M. Olin.)

Dear Mr. Olin: As you are doubtless aware when a bill on this subject was previously passed Senator Bingham succeeded in having it recalled and has since been able to have it held up.

The bill was then introduced into the House and we immediately made an effort to have action postponed in order to have an opportunity to enter objections.

In the beginning it looked as if it was probable that an effort would be made to rush the bill through, and in order to bring all the pressure we could to bear to have the action deferred, I wired you on February 9th as follows:

"Informed probability bill being introduced House regarding arms embargo and regulations exports stop Have wired Congressman Goss to endeavor have action deferred to give those interested opportunity to be heard stop Colt and Remington working stop Suggest you wire your Congressman."

I discussed this matter with Mr. Birney and with Mr. Pugsley. It was decided, due to the fact that I previously worked on similar proposals, that I had best go to Washington and appear before the committee.

Saturday afternoon I found that you had telegraphed to Mr. Pugsley instructing him to attend, and upon telephoning him that I would be glad to turn all the information over to him, he stated that he had already wired you that he thought it best for me to go.

From the best information we could get, both before and after reaching Washington, it appeared that the committee was overwhelmingly in favor of the resolution and that our efforts had best be directed (1) against giving too much power to the President; (2) that it should include all countries that manufactured munitions; and (3) that it specify more definitely what was intended by arms and munitions.

I reviewed some of the material used at the time I went to Washington in connection with the Geneva Conference and then drew up the attached statement, which was fully concurred in by a Remington and Colt representative. This statement I made at the committee hearing and answered a few questions.

Mr. Stone, president of the Colt Company, stressed the importance of industry in time of war, and Mr. Monaghan, of the Remington Company, enlarged on the fact that the possibilities of embargo would increase the building of munition plants in foreign countries.

I saw in the morning paper that the bill had been reported out favorably with the slight change which limited its application to North and South America. I know that when it reaches the Senate, Senator Bingham will fight it tooth and nail, and I think a few friends in the House, like Senator Goss, will do what they can.

If you have any instructions in regard to what steps should be taken please inform me. If I do not hear from you to the contrary I will continue to keep in touch with the other manufacturers and do what appears to be necessary or advisable.

Yours very truly,

H. F. Beebe.

HFB: ERJ-30
Encl.

("Exhibit No. 1053" appears in text on p. 2751.)

Exhibit No. 1054

TELEGRAM FROM WILMINGTON GIVING REQUESTED INFORMATION ABOUT AMERICAN DYES INSTITUTE AND RELATED SUBJECTS

December 6, 1934.

American Dyes Institute,
130 West 42nd Street, New York City, New York:

According to letter in our file dated May 19, 1921, had at that time the following officers: President, R. C. Jeffcott, The Calco Chemical Company; treasurer, H. E. Danner, 320 Broadway; secretary, W. R. Corwine.

Board of Governors consisted of A. C. Burrage, Jr., Atlantic Dyestuffs Company, Boston, Mass.; R. C. Jeffcott, The Calco Chemical Company, Boundbrook, New Jersey; Samuel Iserman, Chemical Company of America, New York City; J. T. Pardee, The Dow Chemical Company, Midland, Michigan; M. R. Poucher, DuPont; H. W. Hyde, Essex Aniline Works, Inc., Boston, Massachusetts; J. M. Matthews, Grasselli Chemical Co., Dyestuffs Department, New York City; August Merz, The Heller and Merz Company, Newark, New Jersey; B. P. Donnelly, Holland Aniline Company, Holland, Michigan; S. W. Wilder, Merrimac Chemical Company, Boston, Mass.; F. L. McCartney, Monsanto Chemical Works, Inc., St. Louis, Mo.; R. T. Baldwin, National Aniline and Chemical Company, New York City; C. N. Turner, Newport Chemical Works, Inc., Passaic, New Jersey; Frank Hemingway, The Sherwin Williams Company, Cleveland, Ohio.

Executive committee consisted of R. T. Baldwin, A. C. Burrage, C. N. Turner, J. M. Matthews, J. T. Pardee, M. R. Poucher, August Merz.

Volume on hearings before the Committee on Finance, United States Senate, Sixty-sixth Congress, second session, on H. R. 8078, shows hearings held: December 8 to 13, inclusive, 1919, and January 12, 1920.

Hearings included statement of Joseph H. Choate, Jr., counsel for American Dyes Institute; Major General W. L. Sibert, director, United States Chemical Warfare Service; Rear Admiral Ralph Earle, Chief of Bureau of Ordnance, Navy Department; Van H. Manning, Director, Bureau of Mines, Department of the Interior; Lieutenant-Colonel (now general) Amos A. Fries, United States Army; Colonel C. T. Harris, United States Army; Colonel J. H. Burns, Ordnance Department, United States Army; Dr. Marston Taylor Borgert, professor, Organic Chemistry, Columbia University; Dr. Julius Stieglitz, chairman, Department of Chemistry, University of Chicago; Dr. Charles H. LaWall, analytical and consultant chemist, and dean College of Pharmacy, Philadelphia; Henry Howard, chairman, executive committee of Manufacturing Chemists Association and vice president of Merrimac Chemical Co., Boston; James T. Pardee, vice president, Dow Chemical Co.; Henry Wigglesworth, General Chemical Co.; Dr. Charles H. Herty, editor, Journal of Industrial and Engineering Chemistry; Henry B. Rust, president, Koppers Company, Pittsburgh; Dr. Daniel F. Waters, Germantown Dye Works, Philadelphia; Frank D. Cheney of Cheney Brothers, South Manchester, Conn.; Irénée du Pont; E. H. Killheffer, vice president, Newport Company, Milwaukee.

Textile men and importers also testified.

Hearings before Committee on Ways and Means, House of Representatives, were held June 18 to 20, and July 14 to 18, 1919.

Many of same Army and Navy officers and textile men testified.

Francis P. Garvan, Alien Property Custodian, testified before both House and Senate committees.

Following is list of members of American Dyes Institute from undated memorandum in our office:

Althouse Chemical Company, Reading, Pa.
American Aniline Products, Inc., New York City.
Atlantic Dyestuffs Company, Boston, Mass.
Atlas Color Works, Brooklyn, New York.
Ault and Wiborg Company, Cincinnati.
Butterworth Judson Corporation, New York City.

Also following from New York City:

John Campbell and Co.
Chemical Co. of America.
Commonwealth Chemical Corporation.
Consolidated Color and Chemical Co.
Dyes Products and Chemical Co.
Frank Hemingway, Inc.
Calco Chemical Co.
Metals Disintegrating Company.
National Aniline and Chemical Company.
Organic Salt and Acid Company.
Rector Chemical Co.
Tower Manufacturing Co.
Dicks, David, Company.
Transatlantic Chemical Corporation.
The Barrett Company.
J. R. M. Klotz of Newport Chemical Works.
Certified Chemical Corporation, Brooklyn, New York.
Dow Chemical Company, Midland, Michigan.
Du Pont Company.
Essex Aniline Works, Boston, Mass.
Gaskill Chemical Corporation, Brooklyn, New York.
Grasselli Chemical Company, Cleveland.
Heller and Merz Company, Newark, New Jersey.
Holland Aniline Co., Holland, Michigan.
Holliday Kemp Company, Woodside, Long Island.
Hydrocarbon Chemical Products Co., Lancaster, Pennsylvania.
Merrimac Chemical Co., Boston, Mass.
Monroe Color and Chemical Co., Quincy, Illinois.
Monsanto Chemical Works, St. Louis, Mo.
George E. Morrill Co., Norwood, Mass.
Naugatuck Chemical Co., Naugatuck, Conn.
Peerless Color Company, Boundbrook, New Jersey.
Sherwin Williams Co., Cleveland, Ohio.
United States Color and Chemical Co., Boston, Mass.

Exhibit No. 1055

Dr. Julian Adair,
Medical Arts Building,
Wilmington, Delaware, Dec. 9, 1934.

This is to certify that Chas. K. Weston is not able to leave his home on account of an impacted fracture of his right humerus (shoulder).

Respectfully submitted.

Julian Adair, M. D.

Exhibit No. 1056

[File: Publicity Bureau. Thos. R. Shipp—Correspondence, dyes]

October 1, 1921.

Mr. Thomas R. Shipp,
Riggs Building, Washington, D.C.

My Dear Mr. Shipp: Please do not arrange to visit Mr. Cone. I think I have already arranged that matter satisfactorily.

The question of advisors to the disarmament commissioners is also, I think, well in hand.

Not having heard anything from you as to a working agreement after your visit here on September 16, I went ahead and arranged these matters through other channels.

Very truly yours,

——— ———,
Publicity Manager.

CKW/P

(" Exhibit No. 1057 " appears in text on p. 2765.)

Exhibit No. 1058

[File: Publicity Bureau. Braddock Harold—Correspondence, Dyes]

October 6, 1921.

Mr. Harold Braddock,
123 William St., New York, N.Y.

Dear Mr. Braddock: The Rosengarten matter is in such shape that we must not depend on a contribution from that firm. I understand that they are not in a position to go along with us in a publicity campaign and the chances are that it will be some time before we can expect the contact with them to bear fruit.

Very good progress is being made in the effort to secure support for our interests at the coming national meeting of the American Legion. This matter is very well in hand and is being pushed hard with the national officers and the executive committee.

We expect action to be taken tomorrow, October 7, by the Army Ordnance Association meeting at the Aberdeen Proving Grounds. General C. C. Williams, Chief of Ordnance of the Army, has agreed to introduce a resolution and to speak in support of it. Several other Army officers who have already figured actively in the effort to build up a chemical industry will support him in his efforts.

Very truly yours,

——— ———,
Manager Publicity Bureau.

CKW/AER.

Exhibit No. 1059

[Copy. File 99]

Wardman Park Hotel,
Washington, December 4, 1919.

Dear Mr. Carpenter: T. C. and King can help with Senate subcommittee. Curtis of Kansas is the party whip and always goes regular. The national committeemen, urged on by T. C. and King, either directly or through Hays, could manage him.

Senator McLean of Connecticut ought to be easy for King to reach.

Can't you get the wires or phone busy on King? He is due here early in the week for a national committee meeting—expected to arrive on Sunday—and could help cause without inconvenience.

We have all kinds of "dope" about Watson, of Indiana. The disquieting report is that he has been busy in behalf of importers and is not friendly to us. We thought Landis had him fixed and still hope that is true. The diagnosis that we want to accept is that he will follow the Penrose lead and that Penrose picked him to put this thing over for us. According to all the political "wise men" this is the case—but you can't be sure and the political pull would not be wasted.

Committee meeting was called at direction of Penrose who wrote that action should not be delayed because of his illness. Evidently it is proposed to push the hearings through next week so that the full committee can act before Christmas holidays and have bill ready for Senate after first of year.

Think Irénée du Pont will have to come here Sunday for conference. There is a loud call for him from everyone. Garvan feels that he is worth more than all the others combined. I am to see Watson tomorrow and then we can complete our program. After that I will phone you or Mr. du Pont details.

Taken as a whole, the situation looks good to me, but I don't want to miss any tricks, hence the suggestion about T. C., King and Hays.

I have the military situation in hand, Earle, Williams, et al.

Shall not fail to meet you at the Willard Saturday night—(duce tecum).

Yours,

WESTON.

EXHIBIT NO. 1060

[Copy]

O. O. 032.2/7

DECEMBER 5, 1919.

Hon. JAMES E. WATSON,
Chairman of Finance Subcommittee,
United States Senate.

MY DEAR SENATOR: 1. I have just been informed that there is a bill before your subcommittee, H. R. 8078, "To regulate the importation of coal-tar products, to promote the establishment of the manufacture thereof in the United States, etc."

2. Up-to-date chemical knowledge of all kinds and the ability to apply the same to the military program are of course absolutely vital to proper preparedness. It is manifestly one of the paramount duties of the Ordnance Department to father the accumulation of this knowledge in the United States, whether in the Ordnance Department itself or in industry.

3. I am also informed that one of the results of the bill in question would be the building up of a large chemical industry which would of necessity include among its numbers several thousand trained chemists who would devote their time to the many chemical problems both routine and research connected therewith and especially to the chemistry of coal-tar products, which field is very intimately related from all angles to military explosives. The industry would also develop the solution of its problems of raw materials supply, of special chemical manufacturing apparatus, etc., all of which would be applicable to our war problems.

4. It seems to me that the above results would be of very great value to the country from the preparedness standpoint for they would help strengthen a vital link in the chain that prior to this war was very weak and which will again become weak unless every effort is made to prevent it.

5. I would be very glad to appear before your committee in person and will do so if you care to have me. I am leaving Washington today, but expect to return on the 15th instant.

C. C. WILLIAMS,
Major General,
Chief of Ordnance, U. S. A.

EXHIBIT No. 1061

[File 110]

(Copy to Mr. K. K. V. Casey—5/4/21.)

E. I. DU PONT DE NEMOURS & COMPANY (INCORPORATED),
PRODUCTION DEPARTMENT, WILMINGTON, DELAWARE,
DYESTUFFS DEPARTMENT (MANUFACTURING DIVISION),
May 2, 1921.

MR. IRÉNÉE DU PONT,
President.

Referring to yours of April 29th, relative to our relations with the Chemical Warfare Service, I think you will be pleased to know that our contact with that organization is already quite close and a recent visit to the Edgewood Arsenal by Dr. Reese has brought about a beginning of cooperation which, no doubt, will be highly beneficial both to the Service and to ourselves in the future.

I know that General Fries, from personal conversations that I have had with him, looks upon us as a main-stay in case we are brought to a situation where the united effort of the country is needed. There is not. of course, at the present a demand for any of our byproducts at Edgewood that is of material moment, but when that does develop, in case their experimental work is expanded, I am very sure that we shall have the right kind of a call from the Chemical Warfare Service. I have no intent to let lapse the connection which has been established by reason of our united effort in legislative work.

(S) CHAS. A. MEADE, V. P.

CAM: G

[File 110]

(Copy to Mr. K. K. V. Casey, 5/4/21.)

APRIL 29, 1921.

MR. CHAS. A. MEADE,
Vice President:

I read General Fries' speech with a great deal of interest and have just spoken with Casey as to the advisability of seeing whether our company cannot furnish intermediates or even finished war games in a small way to the Government in order to get the practice of their manufacture and to see just where their requirements dovetail in with the dye business.

I feel sure General Fries will look favorably on such a proposition for he has "rooted" for the dye industry. I think it would be well for you to take same little interest in this both as an outlet to our deep water products and also for the future good of the country should we be so unfortunate as to have another war.

IRÉNÉE DU PONT,
President.

EXHIBIT No. 1062

[File: Publicity Bureau, American Chem. Soc., Dr. Chas. L. Parsons. Dyes]

AMERICAN CHEMICAL SOCIETY,
OFFICE OF THE SECRETARY,
Washington, D. C., 1709 G Street NW., *December 1, 1921.*

MR. CHARLES K. WESTON,
Publicity Bureau, E. I. du Pont de Nemours & Co., Wilmington, Del.

DEAR MR. WESTON: Replying to yours of November 30:

I am fully in touch with the work that is being done here in Washington regarding the question of chemical warfare before the international conference. At the same time, the matter is a very delicate one, and we can say very little to reporters. Up to the present time nothing definite has been done except the organization of the committee which met for the first time yesterday afternoon at four o'clock. Their meeting was simply for organization, and they have not yet received the full and necessary instructions to outline their future procedure.

I agree with you that it is highly important that the commercial interests hold aloof from this matter for it is a delicate one, and their position is quite likely to be seriously misunderstood. You can see from the articles which are appearing in the New York Herald and also from the article on page 4, column 6, of the Philadelphia Ledger of this morning, how careful the chemists have to be in handling this situation.

I am enclosing for your information copy of a letter which I just wrote to the Public Ledger, which will give you an inkling of how we feel these matters must be handled. I am quite sure that you are in accord therewith.

With best wishes.

Sincerely yours,

Charles L. Parsons,
Secretary.

CLP/EMT

Exhibit No. 1063

[File: Publicity Bureau, Dr. Chas. L. Reese, Corres., dyes]

Copy to: Mr. C. A. Meade, Room 9104 Building.

December 2, 1921.

Dr. Charles L. Parsons,
Secretary, American Chemical Society,
1709 G St. NW., Washington, D.C.

My Dear Dr. Parsons: I want to thank you for your letter of yesterday and for the copy of your communication to the Public Ledger.

The question of properly guiding the newspaper writers is to my mind the most serious one before the chemical industry and the chemical society at this time. The article which you criticise offers the best possible evidence of the need of educating the writers and their education can be accomplished only by dealing frankly and fully with them and giving them information in advance of its actually happening so that they may get the proper perspective and realize the importance of what is to come.

For instance, it has been evident for some time that Constance Drexel was in the mood to be hysterical over poison gas. The things she has written since she first went to Washington to attend this conference have all pointed in one direction. If she could have been taken in hand and told exactly what this luncheon was intended to accomplish, she would not have made the serious misstatements, though she might not have been converted to support of the proposition.

All this is appropos of your statement that "* * * the matter is a very delicate one and we can say very little to reporters." I am presuming to make suggestions because on the advice of Dr. Herty, after conference with Dr. Smith, it was agreed that matters of publicity for the present should be left entirely to the discretion of the noncommercial chemical interests with Dr. Smith, president of your society, as their official representative, and because of my experience in the newspaper field which presumably has equipped me to see these things in a different light than that in which they appear to the layman.

It is very evident that there are a lot of writers in Washington who need education and need it quickly.

Sincerely yours,

——— ———.

CKW/AER.

("Exhibit No. 1064" appears in text on p. 2779.)

Exhibit No. 1065

[File C-15]

January 28th, 1922.

Mr. A. B. Echols,
Asst. Treas.

In connection with Mr. Irenee du Pont's inquiry for information relative to expenditures by this company bearing on the dyestuffs legislative situation, I have, in accordance with your request, compiled the following data:

PAYMENTS TO OR FOR ACCOUNT OF AMERICAN DYES INSTITUTE

2/17/19—1919 dues		$250.00
2/18/19—To cover advance as our portion in connection with proposed organization of a corporation (chemical) foundation to take over alien chemical patents		1,000.00
3/21/19—Assessment for fiscal year, January 1 to December 31, 1919		6,750.00
9/22/19—Check to order H. E. Danner, treas., American Dyes Inst. to cover our portion of expense of having printed 20,000 copies of dyestuffs hearings before the Ways and Means Committee, to be distributed among the consuming industries, members of the American Chemical Society, libraries, colleges, etc		5,000.00
10/15/19—Check to order of Frank S. Bright and G. S. Ferguson, Jr., Washington, D. C., to cover bill of 9/10/19 for services rendered by them in connection with the Revenue Act of 1918, and all other services account American Dyes Inst., totaling		10,000.00
12/18/19—Check to order H. E. Danner. Voucher simply states: "As contribution to the American Dyes Institute"		2,500.00
Total for 1919		25,500.00
1/5/20—1920 dues		250.00
3/18/20—Preliminary assessment for 1920		1,000.00
4/20/20—Assessment for 6 months ending 6/30/20	$7,687.50	
Credit payment of 3/18/20	1,000.00	
		6,687.50
6/23/20—Copy of translation of printed report made by Inter-Allied Commission investigation of occupied German territory relating specifically to manufacture of munitions and poison gases		28.34
7/20/20—Quarterly assessment for 3 months ending 9/30/20		3,843.75
10/11/20—Our share of expense of meeting at Yama farms, Sept. 29th and 30th		220.15
10/14/20—Quarterly assessment for 3 months ending 12/31/20		3,843.75
10/15/20—To cover our preliminary share of immediate expense		10,250.00
11/4/20—Our actual portion of assessment (17 percent of $70,000)	$11,900.00	
Credit payment of 10/15/20	10,250.00	
		1,650,00
Total		27,773.49

CREDIT

10/14/20—By amount advanced 2/18/19 toward Chemical Foundation organization	1,000.00
10/14/20—By amount advanced 9/22/19 applicable to 1920 assessment	5,000.00
Total credit	6,000.00
Net amount for 1920	21,773.49
1/26/21—1921 dues	250.00
4/7/21—Advance on assessment as agreed at Lakewood meeting April 1st	10,000.00
9/13/21—Assessment of American Dyes Institute	500.00
Total	10,750.00

CREDIT

Referring to 4/7/21 assessment our final portion was figured at 17 percent of $55,000, or $9,350.00, we therefore received a credit of	650.00
Net amount for 1921	10,100.00
Grand total, American Dyes Institute	57,373.49

In April 1921 this company paid the bill for 7,500 copies of booklet, "World Disarmament And The Master Key Industry", and bill in the amount of $5,357.30 was rendered against the American Dyes Institute under date of April 30th, 1921, which item has not been paid to us. It is understood that a portion of this, at least, is to be borne by us anyhow, and that, furthermore, after the investigation is finished and commitments by the institute will have to be met, that this amount is o be credited o our share to be paid.

FEDERAL TRADE COMMISSION

We applied for a total of 38 enemy-owned patents, seized by the Alien Property Custodian, and paid a license fee of $100.00 for each patent. We finally secured 5 licenses covering a total of 24 patents, and $1,400.00 was therefore refunded to us. The net result of our relations with the Federal Trade Commission and the A. P. C. in connection with dye patents is as follows:

Paid license fee of $100.00 each for 24 patents	$2, 400. 00
Paid royalty on sales of vat colors covered by one of these licenses	10, 103. 88
Paid royalties on account of sale of indigo made under one of these licenses	61, 884. 98
Total, Federal Trade Commission	74, 388. 86

CHEMICAL FOUNDATION, INC.

Reference is made in the American Dyes Institute tabulation that on February 17th, 1919, we contributed $1,000.00 toward expense of formation of the Chemical Foundation, Inc., for which amount the institute credited us on October 14th, 1920. Our original portion of the underwriting was $125,000.00, which was taken care of by payments as follows:

3/15/19—Advanced account this amount	$75, 000. 00
6/17/19—Advanced balance	50, 000. 00
Total	125, 000. 00
5/17/20—We were refunded	40, 700. 00
Net holding	84, 300. 00

represented by 2 shares of common stock and 841 shares of 6% nonvoting cumulative preferred stock, all at par value of $100.00 per share. (See letter of Mr. C. A. Meade to Mr. Irenee du Pont dated June 22nd, 1920, explaining why we still have such a large interest in the Chemical Foundation.) For your information our file is attached, which please return.

Record of other payments to the Chemical Foundation is as follows:

2/26/20—Royalties on sales of dyes made under patents licensed to us	$26. 02
3/5/20—8 copies of vat dye patents	2. 40
5/10/20—Royalties	169. 92
8/3/20—Royalties	731. 32
10/20/20—License fee for 1 license	100. 00
10/29/20—Royalties	220. 63
12/28/20—Royalties	8, 320. 12
Total for 1920 (licenses and royalties)	9, 570. 41
1/4/21—Sending out for our account 458 copies "Creative chemistry"	$538. 15
1/25/21—118 copies "Creative chemistry" of which 80 were sent out for our account and 38 sent to us	127. 44
2/1/21—Royalties	347. 18
4/22/21—Royalties	1, 280. 81
4/28/21—Royalties, also license fee 1 license	104. 15
6/7/21—50 copies "Creative chemistry" of which 26 were sent out for our account and 24 sent to us. 250 reprints of an article by Mr. Garvan	83. 55
7/21/21—Royalties	5, 414. 28

9/28/21—Royalties	$262.15
10/1/21—License fee for 1 license	100.00
10/21/21—Royalties	8,441.01
Total for 1921, licenses and royalties	15,949.58
Publicity aid	749.14
	16,698.72
2/3/22—License fees	1,900.00
Royalties	12,193.28
Total to date for 1922	14,093.28

The Chemical Foundation grants nonexclusive licenses covering the use of certain patents. Royalties are paid on basis of a certain percentage of net sales, i. e., gross sales less freight and delivery expense, any licensee paying the same royalty rates for the same licenses. The original arrangement was to pay a license fee of $100.00 for each license regardless of the number of patents it contained. A revision of the license-fee arrangement has recently been made to the basis of charging us $100.00 for each patent, one fee only, however, to be paid for the same patent regardless of the number of licenses it may be included under. This readjustment is reflected in the payment made, and mentioned above, under date of February 3rd, 1922. We have at the present time eleven licenses from the Chemical Foundation.

The C. F. recently inquired what portion of our dye investment was used in connection with the manufacture of products covered by C. F. licenses. Taking all licenses actually in force, the approximate figure of investment covered is $1,250,000.00, which includes plant and working capital investment that can be charged directly; not including any general plant items, such as portion of general power investment, etc. The detail of this is covered by the attached copy of memorandum from Mr. E. G. Robinson to Mr. Meade, dated the 28th inst. There is also attached the original inquiry from the Chemical Foundation dated December 27th, 1921, to which no reply has as yet been made.

SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS' ASSO.

November 1921—Annual dues	$250.00

W. F. Harrington,
Asst. General Mgr.,
By F. G. Hess.

FGH: G.

P. S.—Information relative to the two appropriation requests mentioned below should also be included with the other information.

PROJECT 11642 (ACCOUNT C–1000)

Authorized for $3,500.00, actually spent $2,262.81, covering trip of Mr. C. K. Weston to Europe for the purpose of meeting European journalists, giving them the proper American viewpoint so that news items of a proper nature could be sent to this country.

PROJECT 11786 (ACCOUNT C–1042)

This was taken out to contribute our share toward the expense of a campaign of publicity to counteract malicious publicity against the dye industry. The National's publicity representative was to handle the work in cooperation with similar representatives of other concerns in the industry. Our original allotment was $10,000.00. It was later decided, on the information of the new Synthetic Organic Chemical Manufacturers' Asso., to stop all further work through this source, but commitments had to be taken care of, of which our share was $3,000.00, for which a part 2 request was authorized. Later further obligations were brought to light under this program, of which our share is $7,500.00, of which, to date, $2,500.00 has been paid. Summarized, we have to date paid $15,500.00 out of a total of $20,500.00 authorized for this purpose.

W. F. Harrington, *A.G.M.*,
By F. G. Hess.

FGH: G.

EXHIBIT No. 1066

[File: MS–80–A. D–502]

DECEMBER 5, 1924.

Col. W. N. TAYLOR,
47 Avenue de l'Opera, Paris, France.

DEAR SIR: Some time ago you requested us to ask Mr. Bradner to prepare for you a memorandum on chemical warfare materials and gases. Mr. Bradner has just forwarded to us the memorandum which we are attaching hereto. This undoubtedly will be instructive and useful to you.

Very truly yours,

K. K. V. CASEY,
Director.

WHO'G:N.

[File: MS–80–A]

DECEMBER 1, 1924.

MILITARY SALES DIVISION.
Attention of Mr. K. K. V. Casey.

Replying to your letter of October 27th which was sent to the dyestuffs department by mistake and which I have received.

The following is a brief description of the chemical warfare materials which are mentioned in Colonel Taylor's letter.

Chloracetophenone ($C_6H_5COCH_2Cl$) is a lachrymator or tear gas. It is a white solid having a fairly low vapor pressure (0.01 mm. of Hg. at normal temperatures). Probably the best method of preparation is the condensation of chloracetychloride ($ClCH_2COCl$) with benzene (C_6H_6) in the presence of aluminum chloride ($AlCl_3$). The chloracetyl chloride is made by the chlorination of chloracetic acid ($ClCh_2COOH$) which in turn is made from acetic acid. CH_2COOH). The process of manufacture is difficult and disagreeable. Unless a fairly large order could be secured I would not advise making it. In my opinion there is no place for a lachrymator in warfare but it is excellent for police work.

Diphenylaminechlorarsine $(C_6H_4)_2$ NHAsCl) is a very powerful toxic smoke. It is a greenish solid, yellow when pure, having a very low vapor pressure, 0.003 mm/Hg at 150° C. It is made by the condensation of diphenylamine $(C_6H_5)_2$ NH and arsenic trichloride ($AsCl_3$). The manufacture is simple and not particularly disagreeable, due to the low vapor pressure of the toxic. This material is a very effective military agent but the effects are rather severe for police purposes.

Phosgene ($COCl_2$) is a lethal agent. It is a liquid whose boiling point is 8° C. and is made from chlorine and carbon monoxide in the presence of charcoal as a catalyst. The manufacture is quite simple and reasonably safe. Phosgene is a fairly effective military agent but of course is not suitable for police use.

Butyl mercaptan (C_4H_9SH) is not a toxic but simply a stench. It is a liquid which boils at 98° C. and is made from butyl alcohol (C_4H_9OH) and hydrogen sulphide (H_2S) in the presence of theria as a catalyst. It has been proposed as a fake gas since its odor is somewhat similar to mustard gas, but I doubt if it will ever be used.

Titanium tetrachloride ($TiCl_4$) is used for making a nontoxic smoke. It is a liquid boiling at 136° which fumes in air. It is made by the chlorination of titanium carbide (TiC_2) which is obtained from coke and titanium oxide (TiO_2). It is a good smoke producer and has been used recently in the laying of smoke screens from aeroplanes.

Picric acid ($C_6H_2OH(NO_2)_3$ is an explosive but is used as an intermediate in the manufacture of chloropicrin (CCl_3NO_2).

Diphenylamine $(C_6H_3)_2$ NH is an intermediate used in the manufacture of diphenylamine chlorarsine. It is made from aniline ($C_6H_5NH_2$) which in turn is made from nitrobenzene ($C_6H_5NO_2$). All of these materials are dyestuff intermediates and are being manufactured by the dyestuffs department at present.

Nitrobenzene ($C_6H_5NO_2$) is made by the nitration of benezene and is used to make aniline ($C_6H_5HN_2$).

Dinitrobenzene ($C_6H_4(NO_2)_2$) is not an intermediate for any toxic that I know of. It might be used as an explosive ingredient. It is obtained by the nitration of nitrobenzene.

Dinitrotoluene ($C_6H_2CH_3(NO_2)_2$) is not used in the manufacture of toxics. It may be used to make trinitrotoluene ($C_6H_2CH_3(NO_2)_3$) or it may be used directly as an explosive ingredient.

Carbon monoxide (CO) is a gas produced by burning coke with a limited quantity of air or oxygen in case it is desired pure. It is used in the manufacture of phosgene.

Diphenylchlorarsine $(C_6H_5)_2AsCl$ is a toxic smoke similar in properties to diphenylaminechlorarsine. It is made from aniline $(C_6H_5NH_2)$ which is treated with nitrous acid (HNO_2) and sodium arsenite (Na_2AsO_3) which gives phenylarsenic oxide $(C_6H_5ASO_2)$. This compound is reduced with sulphur dioxide (SO_2) to phenylarsenious oxide (C_6H_5ASO) which is then treated with a limited quantity of hydrochloric acid (HCl). Diphenylchlorarsine and arsenous oxide (As_2O_3) are formed. The process is difficult and the finished product is inferior to diphenylaminechlorarsine.

Arsenic trichloride $(AsCl_3)$ is an intermediate in the manufacture of diphenylaminechlorarsine. It is prepared by the action of hydrochloric acid or sulphur chloride (S_2Cl_2) on arsenous oxide. It is a liquid boiling at 130° C.

Phenol (C_6H_5OH) is the raw material from which picric acid is made. It is obtained from the distillation of coal tar.

Phenolamine. I do not know what compound this is. Possibly it is aminophenol $(NH_2C_6H_4OH)$ but no use is known for this substance in chemical warfare work.

Sulphur chloride (S_2Cl_2) is an intermediate in the manufacture of mustard gas $(ClC_2H_2SC_2H_4Cl)$ or may be used to prepare arsenic trichloride. It is a yellow oil made by the direct action or chlorine on sulphur.

White phosphorus is the ordinary yellow phosphorus made by reducing phosphate rock with carbon in an electric furnace. It is used for producing nontoxic smokes and for demoralizing effect. It is spontaneously inflammable in air and produces severe slow-healing burns.

Tetrachloride, probably carbon tetrachloride (CCl_4), might be used as a source of phosgene or for diluting other gases. No real use is seen for it. It is prepared by chlorinating carbon bisulphide (CS_2).

Ethylene gas (C_2H_4) is used in the manufacture of mustard gas. It is made by heating alcohol (C_2H_5OH) in the presence of kaolin as a catalyst.

Carbon dioxide (CO_2) is the gas obtained when coke is burned with an excess of oxygen. It might be used as a source of carbon monoxide for phosgene manufacture. No other use can be seen for it.

Of this list only diphenylamine, nitrobenzene, dinitrobenzene, and dinitrotoluene, could be readily produced by this company. The manufacture of diphenylaminechlorarsine would require the building of a plant but this would not be very expensive.

It is believed that the dyestuffs department contemplates the building of a phosgene plant eventually for their own use. Consequently they might consider doing so now if an order for phosgene were secured.

Chloracetophenone and diphenylchlorarsine both require expensive plants and the materials themselves are of doubtful value.

Titanium tetrachloride and white phosphorus are both good smoke-producing materials, but the company is not in a position to produce them.

Referring to the second paragraph of Col. Taylor's letter. Phosgene is a fairly effective nonpersistent gas and could be manufactured safely and easily. Mustard gas is one of the most effective persistent agents known and would be used in large quantities in case of a serious war. It is made either from sulphur chloride and ethylene or from thiodiglycol $(HCC_2H_4SC_2H_4OH)$ and hydrochloric acid. Thiodiglycol is made from ethylene chlorhydrin (ClC_2H_4OH) and sodium sulphide (Na_2S). Chlorhydrin is made by passing ethylene into a solution of hypochlorous acid (HClO) formed by passing chlorine into a water suspension of calcium carbonate. The same properties which make mustard gas effective in warfare make its manufacture very dangerous. The chlorhydrin process is much safer than the sulphur chloride process, but I doubt if the company would care to undertake either one. They might, however, be willing to furnish either ethylene chlorhydrin or thiodiglycol.

Of the various toxic smokes I would recommend that diphenylamine chlorarsine be used as a warfare agent. I would not recommend its use for police work due to its high toxicity.

Chloracetophenone is probably the best of the lacrymators. Brombenzylcyanide $(C_6H_5CHBrCN)$ is very effective but is corrosive to most metals. A less effective material but one that is easily made is bromacetone (CH_3COCH_2Br).

For the production of screening smokes, I would recommend the use of 60% oleum which is simply a solution of sulphur trioxides (SO_3) in sulphuric acid

(H_2SO_4). This material is much more effective than titanium tetrachloride and also much cheaper. The company would be in a position to furnish oleum of this strength. Another smoke-producing material is a mixture of zinc dust, zinc oxide, and hexachlorethene (C_2Cl_6). When this mixture is ignited it burns forming zinc chloride smoke. It is less than half as efficient per unit weight, as oleum and is more expensive, but has the advantage that small smoke candles can be made from it which can be used by infantry. The company could make this mixture without great difficulty.

Chloropicrin (CCl_3NO_2) is a liquid boiling at 112° C. It is a combination of a lethal agent and a lacrymator but is much less effective than phosgene as a lethal agent and nothing like as good a lacrymator as chloracetophenone. I do not believe it would be used again in war and is too dangerous for police use.

There is one other material which I believe is practically ideal for police use, but which probably would not be used in warfare. This material is capsaicin ($OH.OCH_3C_6H_3CH_2NHCOC_9H_{17}$) which is the active principle of red pepper. Before coming with the company I developed a method of manufacturing this material synthetically and hold a personal patent on the process. Capsaicin is effective in lower concentrations than any other known materal. It is entirely nontoxic, while all other material which have been proposed for police work are very toxic and can only be used because it is improbable that the concentrations would be high enough to produce serious results. Capsaicin has the additional advantage of penetrating all except the most efficient type gas mask. It is a solid whose vapor pressure is about the same as that of diphenylamine chlorarsine. I have no idea whether or not the company would care to manufacture this material.

The iodine containing material which you mention is probably ethyliodoacetate ($CH_3COOC_2H_{41}$) which is a very good lacrymator but is probably too expensive for use.

I have made no attempt to give estimates on manufacturing costs of these various materials and could not do so without making a study of equipment and facilities now available which might be converted to this use.

D. B. Bradner.

Exhibit No. 1067

November 6, 1933.

Memorandum: Visit of Mr. G. Donegani, October 27, 1933.

At the invitation of Mr. Lammot du Pont, Mr. Donegani called in Wilmington on October 27th, accompanied by Romolo Angelone, Counselor of the Royal Italian Embassy in Washington, as an interpreter. Unfortunately, Mr. du Pont was sick and Mr. Pickard and Mr. Swift out of town.

We arranged a meeting with Mr. Wardenburg and Mr. Dannenbaum, and the general International nitrogen situation was discussed. Mr. Donegani stated that Chile and Japan were the two great problems to be faced before the Europeans could reach a permanent agreement. We pointed out to him that the Europeans must cease to regard America as a dumping ground. While there is a temporary place for a small amount of European nitrogen in this market, pending complete development of the domestic industry, the American producers will not stand for a continuation of present conditions. The exceptionally favorable position of the American industry, with respect to cost, particularly for compound fertilizers, was emphasized.

A short meeting was held with Mr. F. La Motte, in which Mr. La Motte answered various questions of Mr. Donegani relative to the sulphur situation, particularly the position of the Jefferson Co.

In addition to Mr. Wardenburg and Mr. Dannenbaum, Messrs. Crane, Richter, Robinson, and Protto and the undersigned were present at lunch. Mr. Donegani had no comments to make about the Italian Duco Company except to mention that they had the Fiat business.

After lunch Mr. Protto, Mr. Robinson, and the undersigned accompanied Mr. Donegani to the dye plant, taking him in to the camphor operation for a brief look around. Mr. Donegani had quite a long conversation with Mr. Protto, in which it came out that the I. G. had told Mr. Donegani not to discuss dyestuffs with us, as they spoke for us in Europe. Mr. Protto convinced him of the lack of truth in this statement. Mr. Donegani then told Mr. Protto the history of A. C. N. A. After incurring very heavy losses for several years, Mussolini, who is a personal friend of Donegani, called him in and told him that he wanted him to take the company over. Mr. Donegani objected; first, on the grounds that he did not want to put good money into a sick company, and that he could not make it a technical success without securing assistance from abroad. After considerable argument, and after pointing out that both du Pont and the English had turned down the proposition to give A. C. N. A. assistance, Donegani secured permission to bring the I. G. in as minority holders. They paid approximately 20,000,000 lire for a 49% interest, and agreed to supply technical information to enable A. C. N. A. to manufacture dyestuffs as soon as there were sufficient consumption to warrant local production. Either side has the right to terminate the contract, and the Italians may buy back the I. G. shares at cost. The Italians also purchased a 49% interest in I. G.'s local manufacturing subsidiary, Bianchi.

The financing was done through Credito Italiano upon the orders of Mussolini. It is our understanding that 40,000,000 lire was paid for the concern, 49% of which was supplied by the Germans.

The Italian dyestuffs market is about $10,000,000 per year, 60% to 65% of which is supplied by local manufacture and the balance by imports, principally Swiss and German high-priced specialties. The local manufacture takes care of the bulk colors, prices on which are quite low. At the present time the A. C. N. A. has an export quota of about $1,000,000 per year, expiring at the end of this year, when the subject will come up for discussion again. The Germans have not played fair with respect to giving technical information, and their whole policy has been designed to protect the market for their exports of high-priced colors to the Italian market. Their interest in export is entirely subsidiary to their home market, and they are very ambitious to supply the entire home market from local manufacture, both from a national-defense and a balance-of-trade point of view. Upon the return of Donegani and von Schnitzler from this country, it is intended to hold a meeting in Rome, where it is hoped that satisfactory arrangements can be worked out. As a last resort, the Italian Government is prepared to set up a dyestuffs monopoly which would take over existing sales organizations, including that of the Germans and the Swiss. This would in effect destroy the position of I. G. in Italy, as it would take away their sales organization. Mr. Donegani characterized such a step as international brigandage, and hoped it would not be necessary to go so far.

Mr. Donegani reported that the German Rayon Cartel, in which the Italians had an 18% interest, was broken up by an edict of the Hitler Government without any reason except national self-interest to justify the step.

jkj/ems

("Exhibit No. 1068" appears in text on p. 2783.)

EXHIBIT NO. 1069

[Copy]

[File C–3–B. For information]

JUNE 20, 1922.

Mr. F. W. PICARD,
Vice President.

The other day I was talking with Sir Harry McGowan, and we spoke of the British dyestuffs situation, though he is no longer a director of the company. Among the comments he made were the following:

If the British made a deal with the Germans, du Pont interests could hardly be given special treatment in the matter, unless there was a definite undertaking on the part of Sir William Alexander that he was negotiating for us. The British Government would not weaken, but were absolutely determined to see the company successful. The inevitable result would be an agreement with the Germans, for Sir Harry does not seem to think it possible that the British will be able to achieve technical success without the help of the Germans. Mr. Pickard ought to come right over to London, and the United States legislative situation is probably so well in hand that he could now come. The embargo could not be considered as permanent protection, as the agitation against it was so serious that there was a big change that the dyestuffs act would be repealed.

I saw Sir William Alexander last Saturday, and we had a very earnest talk, in which I frankly told him that his insistence on the 15% commission and his efforts to revive a finished episode caused a serious stumbling block in the way of cooperation between our companies. He replied that that was a secondary matter; it would be laid entirely to one side, and he would be ready to work out an arrangement with the du Pont Company which would be mutually desirable. He went on to say that their position was well nigh desperate. The dyestuffs act does not give them proper protection, for cheaper German dyes are allowed to come in if the British dyes cannot meet the price. Thus (and of course he would not want this discussed too broadly), J. and P. Coats were using a German black, Zambesi black I think the name was, in very large quantities, and the price was 7/- a lb. The British Dyestuffs Corp. made a black which was entirely satisfactory to Coats, and sold them 10 tons at 6/8d per lb., and then an additional 50 tons. The Germans went to Coats and offered their black dye in quantities as required at 3/4d per lb., or a yearly contract at 2/6d per lb. Coats took the matter up with the British Dyestuffs Corp., who went over their figures very carefully, and said the best that they could do was 6/- per lb., whereas Coats applied for a license to import the German dye, which was granted. On the 60 tons, approximately their annual requirements of this one dye, the German price therefore effected a saving to Coats of about £25,000, which was too big a saving to forego, and he said throughout the world the Germans were quoting prices far below the British cost of manufacture.

He pointed out to me more clearly than I ever realized before the difference between our position and their own. The competition of our dye users is principally with other American dye users, so that if American users have to pay more for dyes than other countries, it is unpleasant but it is not final. The British dyers on the other hand look principally to their export markets, and must therefore purchase their raw materials, including dyes, as cheaply as can any other dyers throughout the world.

Sir William went on to say that he had seen von Weinberg and Oppenheim in Berlin a month ago, and their proposals were that the British company would limit its sales to the British Isles only, not the Empire, and give the Germans half of their profits in exchange for technical information. He told them emphatically that the British would not agree to such terms, but were ready to agree on prices throughout the world, and come to an understanding about competition. Duisberg was also to be called in if an agreement was in sight, but naturally there was nothing doing, and I presume that the Germans are simply biding their time until British Dyes will have to come to them again. Sir William went on to say that the British Government was going to back the enterprise up to the limit, favored an arrangement with the Germans, but were entirely opposed to any such terms as the Germans had in mind. The British color users were mostly sympathetic and helpful in their attitude, but the Calico Printers Association had recently gone to Germany, submitted a list of dyes to the I. G., and asked them to put down their very lowest possible quotations for these dyes, so that they could submit the list to the licensing committee and secure entry for the German dyes on the ground of low price.

Yesterday I had lunch with Mr. H. Sutcliffe Smith of the Bradford Dyers and chairman of the Color Users Association of Great Britain. He was very favorably disposed to the present management of the British Dyestuffs Corp. and feels that the agitation for German dyes is exceedingly unpatriotic and dangerous. But at the same time he faces a continual opposition on the part of some of the users who want cheaper dyes. He told me more of what I had already heard, that a strong committee was calling for proxies for the annual meeting of the British Dyestuffs Corp. June 22nd to put out the present management. He thought there would be a warm fight at the meeting, but that the present management would win out.

I have also talked with Lord Ashfield, the other Government director of the British Dyes, and he also welcomes cooperation with the Du Pont Company. He says that they positively will not give in to the Germans, but will keep up the fight, and being to all intents and purposes an American, he is of course very much in favor of cooperation with the du Pont Company.

The above, together with the numerous articles in the newspapers about the British Dyestuffs affairs, has made me convinced that it is a very propitious time to negotiate with the British Dyes. They may be far behind us in technical information, but undoubtedly have a good deal of valuable knowledge, while their negotiations with the Germans may result in developments that will be important to us. If therefore you can spare the time, I think it most desirable for you to come over to London? Possibly if you can come, you will be here when Mr. Haskell is here, and I hope that you will not have to delay your visit much later than the early part of July.

A few enclosed clippings will give you a better idea of some of the comments on the present situation.

JASPER E. CRANE,
European Manager.

JEC:AAD
ENC.

EXHIBIT NO. 1070

[File 105. Copy for Mr. R. R. M. Carpenter]

DECEMBER 15, 1920.

Sir HARRY McGOWAN,
195 West George Street, Glasgow, Scotland.

DEAR SIR HARRY: Along the lines of my conversation with you in the matter of inviting Hercules and Atlas Companies to participate in companies to be formed for manufacturing explosives in foreign lands:

Our executive committee have deemed it expedient to restrict this, for the present at least, to Chile, where a definite factory is already in process of being laid down.

I have this morning sounded out Messrs. Webster and Dunham on the question and find them in a very receptive mood, both admittedly not because of the profits on the investment, but in order that cut-throat competition in that country may be eliminated, and the economic loss, due to duplication of organization, eliminated.

The discussion was entirely informal, and no commitments of any kind were made, but it is the idea that at an opportune time, after they had had an opportunity of discussing the question with their colleagues, we would " get together " to arrive at a more concrete proposition.

Am writing you this as a reminder of the point of view which I expressed to you, and because it would seem to be a good opening to put in force the ideas that we were more or less together on in that discussion; i. e., the prospects on the Chilean enterprise are not so splendid but that we could afford to permit the other companies to join in without heavy financial loss. I say this because I think and believe you were of the same opinion, that we must build in order to prevent losing the trade of that country elsewhere; that the investment itself was not overattractive. Personally, I would rather have a 25% interest with Hercules and Atlas in than a 50% one with them out. I wonder if you were feeling the same way?

It was suggested in the meeting that possibly in a short time relations with the German Nobel group would be reopened in a way which would make it desirable that they, too, share in the enterprise. What would you think of such an arrangement?

This is written you while the matter is fresh in mind, but I do not think we can come to any conclusions by letter, and that the topic had best be discussed either when you are next in this country or when a suitable representative of our company is next in yours, according to which happens first.

Wishing you a merry Christmas and a happy new year, and with regards to Lady McGowan, I am,

Yours sincerely,

IRÉNÉE DU PONT, *President.*

EXHIBIT NO. 1071

E. I. DU PONT DE NEMOURS & COMPANY,
54 New Broad Street, London, E. C. 2, 17th June, 1923.

Mr. H. G. HASKELL, *Vice President.*

DEAR MR. HASKELL: After talking with Mr. Mitchell about detonators we had a little talk on the relationship between our companies and particularly on military matters. He said that he felt it very important to try to get me, as the du Pont representative here, to understand Nobels situation and their point of view, and he went on quite frankly to tell me, partly in reply to my questions, a good many things that I had not known before.

He reviewed the Czechoslovakian situation and said that Philipp of the Austrian Nobel Co., thought he had the concession from the Czechoslovakian Government and on his way to the Government offices to close the deal he met Leonard Smith coming out of the office with the signed concession in his pocket. You already know about the ownership of this Czechoslovakian explosive company and that the Austrians were taken in, but Mitchell explained to me the reasons for taking the Austrians in were primarily in payment for their plant which they turned over to the new company and secondly because they felt it would be desirable to work with Philipp in other Eastern European countries, which has already been the case.

Although the German group is understood still to own control of the Austrian Nobels and to that extent Philipp is their man, yet the Nobels have never had any discussion with the Germans. All the negotiations have been carried on between Philipp and Leonard Smith.

In Hungary Philipp secured the concession for a Government powder factory and has taken Nobels in fifty-fifty, that is to say, the Hungarian Government retain 60% of the stock, Austrian Nobels have 20% and Nobels Industries have 20%.

Philipp also secured the concession for the Government powder factory in Bulgaria. Mr. Mitchell could not give me off-hand the details of this deal but I understand it was exactly the same as in Hungary. Work has already been started at the factories in both these countries.

Mr. Mitchell went on to say that the Jugoslavians would also without question build their own plant and that Philipp would secure this concession and they would go in as partners with him.

There was nothing doing in Roumania yet but that would probably follow suit.

You will note that the French are not included in any of these new deals.

Mitchell further said that they were rather worried about Du Pont's attitude in several markets of the world and he thought it would be desirable to have a conference on the matter at the earliest convenient time.

(S) Jasper E. Crane,
European Manager.

JEC/OA.

Exhibit No. 1071–A

[Strictly confidential and personal]

European Office, Capel House,
54, New Broad Street, London, E. C. 2, June 8, 1923.

Mr. H. G. Haskell,
Vice President, E. I. du Pont de Nemours & Co.,
Wilmington, Del., U. S. A.

Dear Mr. Haskell: As a result of several conversations with Nobels about military-powder business, I am prompted to write you this letter to give you some conclusions, perhaps immature, on the subject of the relations between the two companies.

It seems to me that a conference should be held and decisions arrived as soon as is feasible with regard to military supplies. Sir Harry McGowan is going to South Africa in October, and therefore he is not proposing to go to the United States again until next spring. It may be best to let the matter wait over until then, but I believe that the desirability of a conference over here this summer should be given some consideration.

It strikes me that covenants between the two companies regarding military business bristle with difficulties and are subject to almost infinite complications, while there is always danger of leakage of information into improper hands giving rise to serious criticism of the company and even to a campaign against us. One of the worst practical difficulties seems to me to be that the reduction to written memoranda of decisions reached between the two companies on such subjects has to be very cautiously and only partially carried out by us, while the other side have fuller notes and are always in the position of interpreting past agreements and supporting their interpretations by quotations from documents. Knowledge is power, and I think we are always at a disadvantage in these negotiations from this fact, and it will continue to become more difficult as time goes on.

I am burning up the file copy of this letter and presume you will do the same with the original, but I hope that before doing so you will think the matter over and perhaps be kind enough to let me know what you think about it.

Very truly yours,

(S) Jasper E. Crane,
European Manager.

JEC/AAD

P. S.—I am sure that Mr. Felix du Pont won't mind my adding that I admired the way he handled the discussions with Sir Harry, but you needn't tell him that I have said that. J. E. C.

Exhibit No. 1071–B

[File—Soc. Cent de Dynamite]

E I. du Pont de Nemours & Company,
London Office,
54, New Broad Street, London, E. C. 2, January 30th, 1923.

Mr. H. G. Haskell,
Vice President.

Dear Mr. Haskell: Your letter of Jan. 9th is received, and I am much interested to read the copies of your letters to Dr. Muller.

I met Mr. Spruance in Paris last week, spending a couple of days there. We went over the cellophane matter together, but deferred meeting various French interests until next week when I am again going to Paris on my way to Sweden. We will then spend a day or two talking to Mr. Le Pay, Usins du Rhône, and other French chemical people.

The only development to inform you about now is that I saw Mr. Le Play and arranged a meeting with him next week. He told me that the German negotiations were still proceeding, and showed me a letter written by Dr. Fausten after the French were in the Ruhr which was expressed in very friendly terms. He said that Richter and Muller were practically impossible, but Aufschlager and Fausten were very reasonable and pleasant, and he considered the latter the coming man in the whole German group. He confirmed your information that Nobels have no ownership in the French group. As you say, they both own stock in subsidiary companies, and they have made an agreement that Nobels will not do business in France or its colonies, and that the Société Genéral will not do business in the British Empire. Mr. Le Play said that owing to the exchange position, the Germans could sell explosives more cheaply than they, and they more cheaply than the British; for example they could sell explosives in Brazil much more cheaply than Nobels. Their domestic trade was dull, but they were developing the export market, particularly South America, and felt that at present prices they could obtain all the South American trade they wanted, but they did not wish to go too far in a way that would be unfriendly to Nobels ourselves. He brought this in as an example, and to emphasize his remarks about the unbalanced condition of trade at the present exchanges, but I presume his ulterior reason was to sink the idea in our minds that relationship with them would be desirable for us on competitive grounds.

I have just cabled and written Mr. Pickard some interesting information obtained on the German dye situation, which was briefly first, that Hoechst, the principal indigo manufacturer in Germany, is complaining of American competition on indigo in China, and second, that Mr. Boyden, American observer on the Reparations Commission, told me that the French are contemplating seizing 25% of the capital stock of German industrial companies, presumably in the occupied territory and the Ruhr and by issue of stock dividends, though that was not clearly brought out.

Mr. Spruance is planning to sail back to the United States on the *Majestic* Feb. 28th, and to come to England about a week beforehand, by which time I will have returned from Sweden. While here he plans to make a trip to Ardeer besides meeting the Nobel officials.

Jasper E. Crane,
European Manager.

JEC/WS

Exhibit No. 1072

du Pont's and Nobel's relationship

Wilmington, Delaware, *March 21, 1924.*

To executive committee

From H. G. Haskell, V. P., and A. Felix du Pont, Gen. Mgr., Smokeless Powder Dept.

When Sir Harry McGowan and his associates were here last spring, among the topics discussed there were several which could not be carried to a definite conclusion, partly because of lack of information as to details, and Sir Harry earnestly suggested the advisability of holding our next conference in London. Mr. Irénée du Pont was especially invited, he not having paid a visit to our Nobel friends in a long while, and Sir Harry wanted very much for him to meet the members of his organization, some of whom are new or have risen in importance of late.

Mr. du Pont has arranged to sail the middle of April, accompanied by Felix du Pont and H. G. Haskell.

About a year ago, when Mr. Felix du Pont was in London, the sale of military powder in Europe was discussed in connection with the question of some patent rights involved in our patents agreement with Nobels. The same subject was discussed in an informal way here last spring before Mr. Felix du Pont's trip, and it will doubtless be one of those to be brought up in London. It is expected that this will lead to consideration of our relations with the Nobel Company as a whole. As a guide in discussing this subject, Mr. Irénée du Pont has requested consideration of this subject by the executive committee so that he might be aware of their views. With this request, we are submitting some suggestions of a general nature in addition to which, of course, there are in your committee's files many records, including minutes of conference held from time to time, copies of contracts, patent agreements, etc., which have expired, and the present patents agreement, which remains in force until December 31st, 1929.

The patents agreement covers explosives, etc., including military propellants, but does not include many of the things in which the du Pont Company has become interested in more recently, such as pyralin, dyes, fiber silk, fabrikoid, etc. It is true, however, that we have proceeded with respect to many of these much as we would have done had they been included in the agreement on explosives. For example, recent technical representatives of Nobels have visited Newburgh, Parlin, and other plants, as well as explosive factories, and patents processes on coating materials, for instance, have been handled in the same way as inventions pertaining to dynamite would be dealt with. This has been based on general policy, and we believe the results have been satisfactory and of benefit to both parties. On the other hand, it has not been thought advisable to exchange information on fibersilk, nor has it been felt necessary to give information on such subjects as special military powders being developed for the U. S. Government.

So far as we know, relations between the Nobels and ourselves pertaining to inventions as specifically covered by the patents agreement, and also inventions not included in that agreement, have been satisfactory and everything has worked smoothly.

As you know, the present patents agreement between the Nobel Company and ourselves was a continuation of a somewhat similar agreement between the du Pont Company on one hand and the English Nobels and the German explosives interests as the other parties, these agreements extending back many years, being revised and renewed from time to time as they expired by time limit or otherwise, changes being made to meet new conditions current at the renewal periods.

One of the industries that has undergone marked evolution during the period of these successive agreements includes military propellants and explosives, and the war brought about marked changes, not only of a technical nature, but also with respect to market conditions. At the time of the first agreement, all parties made much the same kind of gunpowder. Smokeless powder and TNT were not in use and had hardly been invented. Most of the demand for military explosives was from the home governments of the respective parties, and other markets for sale of military explosives were almost negligible. Today there is a great variety of military propellants and explosives.

and the purchases of other governments; France, Greece, Siam, Poland, Mexico, and others, are factors of importance.

In the high explosives field conditions have not changed so radically, either in the character of the product or its consumption. It is probable the requirements of North America equal, if they do not exceed, the consumption in the rest of the world.

It is impossible to predict just what the conference in London will embrace, but it would be valuable if your committee could make certain assumptions and formulate your views based on these assumed conditions.

Assuming, for argument, that our present agreement as to patents expired in 1924 instead of 1929, would it be your view that the du Pont Company's best interests would be served by renewing the present agreement for another term, or would you modify it, or would it be better to have no formal agreement?

If the choice were to be a new agreement, would it cover—

(*a*) Inventions in all industries in which both parties are engaged;

(*b*) Limitation to one or more industries;

(*c*) Separate agreements covering each industry; for example, one on fabrikoid and allied products, another on commercial explosives, a third limited to military propellants, etc., etc.?

Assuming our present agreement continues unchanged until 1929, the question of interpretation will undoubtedly be a matter of discussion in London, and one of the phases of this discussion, already indicated, is the sale of smokeless powder in Europe. This is a subject with which you are more or less familiar. To mention a few points briefly:

Most of the important trade in Europe (excepting France) was supplied from Germany. No patents agreements with the Germans have been renewed since the war. Before the war the du Pont Company was in active negotiations with France in connection with smokeless powders not covered by patented inventions, but except for that, we had no very good prospects for such trade in Europe. During the war, of course, enormous quantities were supplied to the Allies, and little or no attention was paid by anyone to patented inventions. After the close of the war, demand arose from "reconstructed" countries (Poland, Czechoslovakia) and others, mostly in territories formerly supplied by the Germans, and for this trade the du Pont Company has been a more or less successful competitor because of its ability to supply and also because of goodwill acquired during the war. In this competition the du Pont Company has met Nobel representatives on several occasions. (See footnote.) The Nobels have intimated that this European trade is more logically theirs than American. In case they should seriously formulate a suggestion of this character, would it be your committee's view that Nobel's contention is correct, and, if so, to what extent should we yield our position in this field?

The smokeless-powder department contends that it has as much right as Nobel to any foreign business it can get that used to be supplied by the Germans—this especially on account of the reputation that the du Pont Company has obtained by its sales of military propellants and explosives during the war.

Owing partly to conditions arising out of the war, there have been, with relation to military propellants and explosives, some impediments in the way of exchange in inventions by reason of the desire of military authorities to keep secret certain processes which, in the ordinary course, would be exchanged under the agreement.

The U. S. Army and Navy being unable to give orders sufficient to keep the du Pont military smokeless-powder plant in operation and yet being exceedingly anxious for reasons of national defense to have the use of that factory in emergency, have requested the du Pont Company to get military foreign business and have helped the du Pont Company to obtain such business as it has got.

These are among the reasons why our smokeless-powder department would prefer to divorce military propellants and explosives from the agreement with Nobel. The grounds for this are that present agreement is based, to some extent, on preceding ones made from time to time when conditions were different, and the existing arrangement is not in tune with today's situation as a whole.

If this could be brought about, it is the smokeless-powder department's opinion that it would be better to have no agreement whatever, in which case patents or processes could be sold by one party to the other when desirable and the company would take its chance on world competition in connection with products and processes not so disposed of.

Does your committee agree with this view?

Respectfully submitted.

H. G. Haskell,
Vice President,
A. Felix du Pont,
Gen. Manager Smokeless Powder Dept.

Note.—In competing for Polish business we usually find ourselves in competition with M. Philipe, representing the Czechoslovakia company. We understand Philipe represents the Hamburg Nobels ownership of about 12% of the stock. The French company, sometimes spoken of as "Le Play", and the English Nobels own similar amounts, the three together approximating half ownership. The other half presumably belongs to Czechoslovakians. When orders for smokeless powder are obtained by this company, the explosives are usually supplied from Rorweil, Germany. In competing for Spanish business we meet a Spanish company in which the Nobels have a large interest, though presumably a minority one. We understand it is not customary for the English Nobels to themselves appear as sellers.

Exhibit No. 1073

[File C–1]

Annex 3

[Copy. Attached to excerpts of letter dated 11–6–24]

Notes of Conversations Held at the Hotel des Indes at The Hague on October 15th, 1924, at 2:30 p. m.

Present:

Sir Harry McGowan, K. B. E., Mr. H. J. Mitchell, representing Nobel Industries, Ltd.

Dr. G. Aufschlager, Mr. Fr. Richter, Dr. Paul Müller, representing the German companies.

Dr. Axel Aubert, representing the Norwegian company.

After an exchange of courtesies Sir Harry McGowan stated that it was essential for any discussion to be quite frank on both sides, and he offered to provide any information which he could properly do in regard to the development of Nobel Industries and its activities in various parts of the world. Dr. Aufschlager replied that he also was prepared to approach the subject with the utmost frankness. General statements were then made by the Nobel Industries' representatives in regard to the situation in the United Kingdom, Canada, South Africa, and Australia, and reference was also made to the capital participations which had been acquired in the various Balkan companies and in the Chilian company. It appeared that the German representatives were fairly well cognisant of all that had gone on and were also quite au fait with the satisfactory results which had been achieved by the British company. At a very early stage in the proceedings it was evident that the chief concern of the Germans was as to the extent to which any arrangement which might be come to could be made to embrace the American companies, and information was asked as to what was the position or as to what understandings, if any, existed among the U. S. manufacturers, special reference being made to Du Pont, Hercules, Atlas, Aetna, and the Trojan Powder Company. In reply to the latter question Sir Harry stated that no association existed in the States, and that in fact any such association would be illegal, but, although active competition existed, there was a friendly intercourse which in his judgment would enable the United States manufacturers to come to an understanding in regard to extra United States questions and further that the existing laws in the States did not in themselves preclude the possibility of such an understanding. He further intimated that from his conversations with the Du Pont Company he had ascertained that they were not averse to associating in an agreement governing the South American Continent, but that at this stage he was not able to speak with any authority on behalf of Du Ponts, and still less could he say how the matter would be approached by the other American manufacturers mentioned.

The German representatives provided information as to the position in Germany, which may be summarized briefly as follows:

High explosives manufacture appears to be mainly in the hands of three groups:

(*a*) Dynamit-Actien-Gesellschaft group.

(*b*) Westfalisch-Anhaltische Sprengstoff-Actien-Gesellschaft (Coswig controlled by the Stinnes interests).

(*c*) Oberschlesische Sprengstoff-Actien Gesellschaft von Lignose.

The latter group, which is in the nature of a consumers' concern, does virtually all the business in the Oberschlesische district and in Poland, but up to the present they appear to have made no serious attempt to do an export business. Groups (*a*) and (*b*) are associated in a price maintenance convention covering German territory, which Dr. Aufschlager stated had been loyally observed by them. Until recently Coswig had done little export business, but recently had become more active in that connection, and it was reported that a shipment had just gone forward to Chile of 3,000 cases from the Coswig works.

No arrangement exists between the D.A.G. group and "Coswig" in regard to export trade, and Mr. Richter stated that his many approaches to bring about an understanding in this connection had proved abortive owing to the excessive ideas held by the Coswig people in regard to the export trade, and further, because that concern had so far declined to listen to any proposals which did not give them some guaranteed demand on their factories for the export markets which they demanded in order to assist in reducing costs for the home market.

There are other small manufacturing concerns producing in Germany, referred to as the Bayerische and Gnaschwitz Sprengstoffwerke, but we did not gather that they were of much importance, particularly in the consideration of export questions.

Detonators.—There are a large number of comparatively small detonator and electric-detonator manufacturers in Germany, who are at present associated with the Rheinisch-Westfalische Sprengstoff-Actien-Gesellschaft in an international detonator convention, such as existed before the war, but which Dr. Muller stated was on a very insecure foundation and was, in his opinion, likely to break up at any moment. He stated that the Rheinisch-Westfalische Company, which is embraced in the Dynamit-Actien-Gesellschaft group, was at present doing about 80% of the detonator trade in Germany, and he expressed grave doubts as to whether he would be able to carry on the detonator convention much longer. In this connection Sir Harry stated quite definitely that he felt sure no arrangement would be possible between the parties unless it embraced also the control of the detonator situation, and to this the German representatives agreed.

N. B.—Prior to the war the export sales in detonators were controlled wholly by the D.A.G. group, the Rheinisch-Westfalische Company doing no business on its own account outside the German territory, but effecting all its export sales through the medium of the D.A.G. It is not known whether this condition exists today, but, no doubt, arrangements could be made to that end if any change has taken place in the meantime.

Black powder.—The D.A.G. group control Wolff & Company, of Walsrode, but they have no influence on a number of other powder manufacturers in Germany nor on the Luxemburg Company. It was felt that the black-powder situation had better be left for the present until it was ascertained whether any arrangement could be made in regard to high explosives and detonators.

Safety fuse.—Apart from the small production of safety fuse from the factory of the Fabrik Elektrischer Zänder (controlled by the D.A.G. group) the German representatives have no control over the fuse situation. Their interest in that commodity is comparatively insignificant, and it was clear that, should any arrangement be contemplated on fuse, the gentlemen present could not undertake that task, but that it would have to be separately approached.

Reference was then made to the unsatisfactory conditions which exist in the various export markets, due to the present competition between the parties, and it evolved that all the parties represented were in complete agreement with the principle of coming to some arrangement by which these unsatisfactory conditions could be avoided. Mr. Richter was invited to make his suggestions as to the form of understanding which might be considered, and he indicated that in the German view it would be well that each market in which competition exists should be considered separately, and that an endeavor should be made to fix a definite quota percentage of the trade for each of the companies operating in that market, provision being made for the imposition of heavy penalties on any of the parties overselling their quota, such penalties to be paid to those who have short-sold as compensation for such short sales. Mr. Richter referred to the difficulties which had existed in the past in controlling agents and expressed the view that the suggestion to impose heavy penalties would compel the principals to exercise more effective control over their agents than had been the case in the past.

As a countersuggestion for consideration the Nobel representatives advised the Germans of the existence, in conjunction with the Du Pont Company, of the South American pool, and suggested that they give consideration to the extension of that pool to cover all those interested in the South American trade with the necessary variation of percentage interests and possibly modified to the extent that instead of pooling the actual profits made there should be a fixed sum to be pooled in respect of each unit of sales.

It was abundantly obvious that the Germans' and Norwegians' attention was more particularly directed to South America and Mexico because they appeared to attach relatively little importance to ny other country, and eventually it was suggested that an endeavor should be made in the first place to adjust matters in regard to the American Continent. Sir Harry was asked whether he would take up the question with the president of the Du Pont Company with a view to having an early meeting with the representatives of that company and such other of the American companies as would be involved. Reference was also made to the desirability of adjusting the situation in the Japanese market, and Dr. Aubert also made a passing reference to the Dutch East Indies. No specific reference was made to any question of the reservation of home territories or other exclusive markets (e. g., the British Empire), but occasional comments led us to the view that the German representatives were tacitly accepting such a reservation as a condition precedent to any arrangement.

No direct question was put as to the possibility of bringing about a financial identity of interests, because it appeared clear from the reports given us (namely, that the German companies were making good profits in their own country and furthermore that the various new ventures which had been undertaken for the purpose of finding employment for their factories, notably linoleums, artificial silk, etc., had proved quite profitable), that the Germans had not even contemplated any question of obtaining advances from Nobel or for linking up in any financial manner, and in these circumstances it was not thought judicious to pursue that idea at any rate at this juncture.

Towards the close of the meeting Mr. Richter produced a list of questions which are set out below, together with the answers which were given in each case:

(*a*) Taking it for granted that Du Ponts are to join the combine, can Hercules and other American companies be caused to adhere to the prices?

This has already been dealt with above.

(*b*) Can the Norwegian company bring influence to bear upon the Swedish company to abstain from competition?

It was held that this was a matter for the Norwegian company to deal with.

(*c*) Will the French abstain from competing as they did during the time of the Hota? Can the same be guaranteed with regard to the Belgian works?

The Nobel representatives expressed the view that no insurmountable difficulty would be met with in obtaining the adhesion of the French and Belgians to any understanding, but they felt that the time was not opportune to approach either of these competitors.

(*d*) Are the new Dutch works likely to come into the combine?

The Dutch works are a very small producer, destined to supply the state mines in Holland, and it was held to be unlikely that they had an eye on export business, and that consequently no approach should be made at this stage.

(*e*) How can the competition of the Westfälish-Anhaltische be avoided, who are sure to make excessive claims? and

(*f*) What about the Lignose, the Bayerische, and the Gnaschwitz Sprengstoffwerke, who have tried several times to gain a footing with their Ammon-Calucit?

It was pointed out that it was for the German concerns to settle their own internal arrangements, and Dr. Aufschläger proposed to take up the matter with his German competitors at an early stage. In the course of the discussion Mr. Richter referred to the possibility of satisfying the Westfälisch-Anhaltische by giving them orders, and this is to be explored.

(*g*) Are the English competitors who are not under the control of Nobel Industries likely to also become competitors in markets abroad?

Sir Harry stated that he anticipated no difficulty in dealing with the small U. K. concerns not under Nobel control.

(*h*) Is there any prospect of bringing the Japanese factories, both the private company, Nippon Kayaku Kaisha, and the Government Works, Iwahana, into line?

It was recognized that the situation in Japan presented exceptional difficulties. Sir Harry threw out the suggestion that it might be considered whether an endeavour should be made to bring about an understanding with the Nippon Kayaku Kaisha in the form of a financial merger. The German representatives undertook to think this over.

Lead azide detonators.—Mr. Mitchell asked Dr. Müller how he proposed to deal with the present position in regard to lead azide detonators in the United Kingdom, pointing out that in the Nobel view no proper patent existed in the aluminum tube, and that it was open for any manufacturer to use that tube, as the patent is wholly invalid for reasons of lack of description and novelty. It was made quite clear to Dr. Aüfschlager and Dr. Müller that the British companies made it a condition that the matter must be adjusted to their satisfaction, and Dr. Müller undertook to study the matter again pending the next meeting and to hold up any project for developing manufacture in the United Kingdom until further discussion. He gave personal explanations of why he did not approach Nobels in regard to the exploitation of his alleged patent to the effect that, as he did not anticipate any resumption of friendly relationships, he had to endeavour to exploit his invention through some other channel.

During the discussion it was stated by Dr. Aubert that the Bofors company had actually shipped fifty tons of nitrocellulose powder to the Argentine Government, and steps have been taken to have this information confirmed or otherwise.

Finally, the meeting concluded with a suggestion that Sir Harry should invite the American representatives to a meeting to be held in the early days of November.

22d October 1924.

Exhibit No. 1074

[File: C–3–B]

November 21, 1924.

Mr. Walter S. Carpenter,
(c/o Mr. Jasper E. Crane, 54 New Broad Street.)
London, E. C. 2, England.

Dear Walter: The following is our version of the coded cables received and sent to you to date:

Cable from H. G. Haskell, dated November 11th:

"Adjourned until twenty-ninth. Send by mail to reach London not later than twenty-sixth our exact sales high explosives caps and electrics each South American country and Mexico for each of two two-year periods ending June thirtieth nineteen fourteen and June thirtieth nineteen twenty-four."

Cable to London November 13th:

"Haskell informatiton asked is available prior to January 1, 1914, only by calendar years stop Mailing Saturday without fail data for 1912, 1913, first half 1914, 1922, 1923, first half 1924 stop Advise Walter family all well."

Cable to London, November 17th:

"Carpenter: Have you considered getting option on Coswig, thereby bettering trading position with German Nobel, also making possible advantageous continuation of those rivals? Your family all well."

Cable from London from W. S. Carpenter: Nov. 20th.

"Your telegram of November 18th received by Haskell. Brown away, Haskell here tonight, meanwhile we saw Sir Harry McGowan stop For our information Coswig controlled by Stinnes interests stop Production in most part consumed by Stinnes operation also. Desire export outlet stop Sir Harry McGowan Mitchell Stamp (MAVJB—could not decode); unalterably opposed to Nobel Industries Ltd. investing in German Company now stop In view of this, cable whether you desire us to explore possibilities further"

Cable to London November 20th:

"Carpenter: Your telegram received dated Nov. 20th. Lammot and I believe explore possibilities desirable"

I was just as much surprised as you to find what the German situation is with respect to their own internal competition, and it struck me right off the bat that it would be useless to make much of an arrangement with the German Nobels leaving out half of the German capacity under control of Coswig and others. My idea was, as you have correctly gathered, to acquire an option at some price on Coswig, with an idea that we could then first use it as a lever on the German Nobels for satisfactory terms, and second, combine the two competing organizations so as to get greater economy in manufacture and eliminate needless competition.

The fact that Coswig is largely a consumer organization should not preclude such a move, in fact it is an added incentive for putting it through, for there is nothing as dangerous as a largely consumer company, which is attempting to reach out for other trade. We recognized that situation in Canada and Purvis was able to acquire the company in question. We have the same situation with Apache and it is a serious menace to the Mexican business. I should think that the Stinnes outfit would be glad to make a contract with a company controlled by such an organization as ours which would insure them of reasonable returns, especially if those returns were payable in America. I think we ought to expect a bargain because of the value of that insured tax-free payment.

The tacking on of words to the effect that your family are all well is not a formality. I have stopped at your house and inquired for them before sending each of the cables. They are all happy and full of pep. I was also delighted to find how much better Mrs. Wooten is. She seems quite spry and about the way she used to be ten years ago.

Understand that Echols has given you all the latest news yesterday.

Sincerely yours,

Irénée du Pont.

Exhibit No. 1075

If we invested in these German companies this investment it appears to me, is justified because of a combination of two reasons, first, the reasonable prospects in the long run of a fair return on the money, and second, the advantages to be gained by Du Pont through the closer contact with those companies, particularly as regards future development. It seems to me that an attempt on our part to inject into our negotiations with the Germans any special precautionary measures such as the above are not compatible with our status as a stockholder and may largely destroy the spirit of fellowship and partnership which it is hoped this investment will engender. I think it will be necessary for us to work with Nobel in this and do as they do, but I would recommend to the finance committee that they do not impose the adoption of one or more of these measures as a condition of their approval.

(The above is paragraph 3, on page 3, of report to finance committee, from Treasurer W. S. Carpenter, Jr., dated October 2nd, 1925.)

Exhibit No. 1076

Commercial Aspect of Proposal

The above deals with the financial aspect, but the second and, to my mind, even more important point than obtaining 5% return is the fact that by the introduction of this money we secure a closer and more binding community of interests than is practicable by any other form of cooperation. In our negotiations for trading understandings we have found the German people very reasonable, and we have succeeded in securing agreement to their total abstention for a period of five years from competition with us in any of the British markets, and I feel sure that we shall get agreement—provided we join financially with them—to making that period ten years. They have also expressed their willingness to leave the African Company's territory alone and to work jointly with us in those markets in which we are both interested. Further, agreement has been reached that they will refrain from doing anything likely to prejudice the interests of the various companies in which we are interested in the Balkan States. All these undertakings will, I am sure, substantially strengthen our position in the various export markets and will enable us to make our business there far more remunerative than would be possible in competition. Another important aspect which should not only improve the financial return to the German companies themselves but have a beneficial effect on our foreign trade, is that they have now come to agreement with their German competitors for a quota allocation of the home trade, and as a direct outcome of this there is every hope that we shall be able to induce those competitors to refrain from, or restrict their activities in, competition with us.

(The above is paragraph 1 on page 8 of report from H. McGowan to the directors of Nobel Industries, Ltd., dated September 14, 1925, and attached to report to finance committee from treasurer dated October 2nd, 1925.)

Exhibit No. 1077

[File C–3–B]

E. I. du Pont de Nemours & Co.,
Wilmington, Delaware, U. S. A.,
European Office, Capel House,
54 New Broad Street, London, E. C. 2, December 17, 1926.

PERSONAL & CONFIDENTIAL

Du Pont Nitrate Co.,
Wilmington, Delaware, U. S. A., Valparaiso, Chile.

Copy to Messrs. Lamot du Pont, pres.; H. G. Haskell, V. P.

Mr. Jasper E. Crane,
Lazote, Inc.

Your letters of November 29th and December 2nd have been received, and I arranged an interview with Sir Harry at the first available time, which turned out to be yesterday, Dec. 16th.

I opened the discussion along the lines that you suggested, and at first Sir Harry seemed moderately hopeful that there might be a possibility of arranging some cooperation in the field of ammonia between du Pont and Imperial Chemical Industries., Ltd. He said, however, that it would be impossible to do anything at the present time as there were other factors which would have to be considered, and then went on to give me a general picture of what he and Sir Alfred Mond had in mind in the matter of international agreements. He cautioned me several times that this was an extremely confidential matter and must on no account be allowed to leak out.

When Sir Harry was in New York he met Sir Alfred Mond there and in the course of a couple of hours' conversation these two had reached practical agreement to consolidate the British chemical[1] industries in a single company. The details of this agreement were arranged shortly after the return of Sir Harry to London, with the result which you now know. While in New York Professor Bosch was informed of the proposed amalgamation, and expressed himself as extremely well pleased, and it was arranged that he would stop off in London on his return to Germany. Unfortunately, however, he contracted influenza on the voyage and proceeded direct to Heidelberg. A meeting has been suggested between Sir Alfred Mond, Sir Harry McGowan, and Professor Bosch in Paris for the second week in February, and it is probable that this arrangement will be carried through. An earlier meeting is impossible because Sir Alfred Mond is leaving in a day or so for a holiday in the south of France, and Sir Harry McGowan is going in January for a holiday in Egypt.

Sir Harry explained that the formation of I. C. I. is only the first step in a comprehensive scheme which he has in mind to rationalize chemical manufacture of the world. The details of such a scheme are not worked out, not even in Sir Harry's own mind, but the broad picture includes working arrangements between three groups—the I. G. in Germany, Imperial Chemical Industries, in the British Empire and du Ponts and the Allied Chemical & Dye in America. The next step in the scheme is an arrangement of some sort between the Germans and the British. He appreciates fully, or at least he says he does, the supreme difficulty in the way of the final step, namely, the personality of the management of the Allied Chemical & Dye. In spite of this he is hopeful that a satisfactory arrangement can be come to. He hopes to develop some scheme involving financial ties binding the three groups together. By this he does not mean exchange of shares so that each company will own part of the shares of the other two. Just what he has in mind I could not learn, and it is possible that the thing is too intangible at present for him to express it.

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[1] Correction.

Sir Harry's attitude during the first part of our discussion was sufficiently hopeful to lead me to suggest the questions of contact hydrogen and methanol, but after we developed the subject further, it seemed evident that there was no prospect of getting any immediate satisfaction. The question of contact hydrogen cannot be discussed, he says, until the broader questions of international cooperation are settled. When I mentioned methanol, he explained that I. C. I. had very definite plans to manufacture methanol in England within the next year. As Major Barley already knew, through conversations he had had in Wilmington, about our proposed methanol manufacture, I explained that the process we expected to use, we believed, would be unique and of unusual advantage from the standpoint of cost, especially if used in conjunction with the manufacture of synthetic ammonia. I added that I hoped our relations with I. C. I. would be sufficiently close to place us in a position where we should be able to offer this process to them. Here, again, there is nothing to be done until after the Paris meeting.

I also mentioned the question of the possible sale of your ammonia companies in Australia. He rather brushed this aside, saying that the I. C. I. had very definite plans to manufacture synthetic ammonia in Australia. I do not feel that this is at all hopeless, however, and it is quite possible that later on they would be glad to give consideration to acquiring the going concerns in which you have such an important share interest.

I inquired whether the Brunner, Mond organization were disposed to be friendly with us, and Sir Harry replied that he could at any rate say their attitude was not unfriendly. He did not propose to have the twenty years' friendship which the Nobel Company and he personally had enjoyed with the du Pont Company and du Pont officials terminated as a result of the formation of I. C. I., and he expected to be able to influence the other members of the amalgamation in our direction, and he repeatedly assured me that he would use every effort to do this.

The only ominous note in our whole conversation was his final word that he would see to it that no hostile steps against the du Pont Company were taken by I. C. I. or any combination which they might arrange with the Germans without telling us of it beforehand. He repeated this twice. This is perhaps capable of several interpretations, but to me personally it indicates that while he will do everything reasonably possible to maintain his friendship with us, nevertheless if the interests of the larger scheme demand it, he will regretfully accept the principle of the greatest good for the greatest number.

In the course of our conversation I mentioned our joint financial interests in various companies, and expressed the belief that I. C. I.'s interest in General Motors would exceed their holdings in Allied Chemical. Personally, I was a little in doubt about this, but strictly speaking, I find it is true. Sir Harry did not know the extent of their holdings in Allied, but he believed that Brunner, Monds, together with Belgian Solvay, held about 25% of the total common stock of the Allied Chemical & Dye Co. This agrees with my impression. The figures which I have understood to be true were that Brunner, Monds held 100,000 shares and Belgian Solvay 400,000. I have always supposed, rightly or wrongly, that these two together could be considered as a unit so far as any influence they might exert on the conduct of affairs in Allied Chemical. I may be quite wrong about this, but at the first chance I shall try to find out just what the relationship between Brunner, Monds and the Belgian Solvay is. Nobels' present holding in General Motors is 150,000 shares. Taking the par value of their investment in General Motors, together with the par value of their investments in C. X. L., Northern Giant, the Chilean Explosives Co., and Nobel Chemical Finishes, Ltd., this gives a total of approximately $25,000,000; i. e., I. C. I. will inherit Nobels' investments to the extent of $25,000,000 in companies which are very closely associated with the du Pont Company. If we consider Belgian Solvay and Brunner, Monds as a single group, the corresponding figure for I. C. I.'s interest in Allied would be $50,000,000. If the relationship is not so close, I. C. I.'s interest alone would be $10,000,000; all of the above at parity.

I am sure you will understand Sir Harry's insistence on the confidential nature of his talk with me and be guided accordingly. I shall make a special effort to see Mr. Pickard before he sails home and acquaint him with this situation. His present plans are uncertain, and it is possible that he may get to England. If he does not, I shall make sure to see him in Paris before he sails.

If you have any further instructions or suggestions in connection with cooperation on synthetic ammonia, I shall be glad to receive them.

In accordance with your request, I gave you the gist of the above in our cable of today, copy of which is attached.

WENDELL R. SWINT.

WRS/AAD. Enc. conf. of cable.

EXHIBIT NO. 1078

[MS-80-A. T-763]

BUREAU TECHNIQUE,
47 Avenue de L'Opera, Paris, November 3, 1926.

Nobel agreement.

Major K. K. V. CASEY,
E. I. du Pont de Nemours & Co.,
Wilmington, Del.

DEAR SIR: 1. During the week of October the 11th I was in London discussing the details of cooperation with Nobel, in view of the remit of the Wilmington minutes of July 20th, 1926, whereby it was agreed that the Nobel and du Pont military sales departments would cooperate in Europe. There were many delays in coming to this agreement, due to the vacation period, and immediately after the Nobel people were very much occupied with the formation of the new consolidation of the British Chemical Industries. For the information of the smokeless-powder department, if they have not been otherwise informed, the British Chemical Industries, including Nobel, British Dyestuffs, and some of the similar industries, are considering a consolidation which may result in the formation of a new company in which Nobel may be absorbed.

2. I am attaching to this letter a description of the agreement which we have come to. This is not the final official copy, but it expresses entirely the agreement arrived at, and the final copy will be the same, and I am expecting to receive it any day from London.

3. I will now discuss the agreement point by point.

Above extract taken from page 1 to paragraph 1 of letter of Mr. W. N. Taylor to Major K. K. V. Casey, under date of November 3, 1926.

Par. 8. I aim to prepare a monthly report for my territory, a copy of which goes to Wilmington, Vienna, and London, covering the entire business of both parties. Vienna is to prepare a monthly report, with a copy for me and a copy for Wilmington, covering business in their territory. The duty of Mr. Smith and myself, to work out the allocations the best we can.

Par. 9. I am to give Mr. Smith prices on our goods, and Nobel will give me prices on their goods.

Par. 10. Nobel have already issued to me powers covering most of the countries where I am to work for them, but these powers will have to be altered in their expression, as they are too personal and apply to my personality rather than to my function as a representative of the du Pont Company. We must give Mr. Smith a letter of some kind of power so that he will be able to properly represent us, and I propose to write the following letter to Mr. Smith and sign it in the name of the company covering each country in which he represents us. This will permit him to start negotiations. It would be preferable of course, if these letters were signed in Wilmington, but in order to save time I feel sure you will permit me to sign these letters.

SAMPLE

"Mr. L. W. BICKFORD SMITH,
"*Brucknerstrasse 8, Vienna, IV, Austria.*

"DEAR SIR: This letter is to certify that Nobel Industries, Ltd., are our authorized agents for the sale of propellant powders, trinitrotoluol, and nitrocotton in the State of ______, and, therefore, you, as their representative, are fully accredited to conduct all negotiations for the above-mentioned materials on our behalf.

"Very truly yours,"

In case that a power of attorney is needed in a specific instance by Mr. Smith, I presume you will have no objections to sending him one.

Par. 11. This confirms the principle of the original sale to arms manufacturers in our respective countries; but in case we push a cartridge order to Kynochs furnished to them by Nobel counts in the quota. This is very useful, as it gives us an European cartridge factory to play with.

Par. 12. This is self-explanatory.

Par. 13. This is an assurance that Nobel considers us her first friend, as the Tchecoslovaks are the only military factory on the continent in which they are profoundly interested, Spain having been settled by a previous agreement.

Above extract is taken from page 3, beginning with "paragraph 8", of letter of Mr. W. N. Taylor to Major K. K. V. Casey, under date of Nov. 3, 1926.

Par. 14. Due to Mussolini's attitude towards importation, it is necessary for us to have inside help to sell to Italy, and we think we may be able to make an arrangement with an Italian factory through relations with the Societe Centrale des Explosives, manufacturing Ballistite only, for furnishing N. C. when desired.

Pars. 15, 16, and 17 are self-explanatory.

Par. 18. In the arrangement made between Nobel and the Germans and in the arrangement contemplated by our people with the Germans, no mention was made of military material at all, it being taken for granted that the matter would not come up and that it was settled by the Treaty of Versailles. But now we have to face the fact that the Germans have been admitted into the League of Nations, and in accordance with the Treaty of Versailles once they are admitted to the League they come under the supervision of the Council of the League as to the manufacture and export of military material which may at any time allow them to enter this field, and the Germans have already requested the Council to consider this matter.

Mr. Marquardt, of the Hamburg Nobel, had a conversation with Nobel in which he asked them if they would not do something to guard what they called their international position in explosives in the case of their beginning the sale of military explosives, and the Nobel people said that they were willing to maintain their attitude; that there was nothing in their agreement that entitled the Germans to any consideration as regards their military material position. They therefore wrote to Mr. Marquardt telling him so. I have not a copy of their letter, but I have a copy of Mr. Marquardt's answer, which I enclose. Nobel, however, says that in case the Council of the League officially permits Germany to reenter the manufacture and export of military material that they will have to reconsider the whole business, including their relations with the Germans and their relations with us on the continent, regarding military material. This is a very serious matter, and our officials who deal with such matters should prepare themselves to the eventuality of having to reconsider these various agreements in the case of the Germans becoming fully authorized by the League of Nations to reenter the field of the manufacture and export of military material. Not being familiar with the matter. I can offer no suggestions except to report the reaction our conversations with the Germans and Nobel's have on my business as mentioned in paragraph 18. While nothing has been said, I think that Nobel feels that it may be necessary for both du Pont and Nobel to withdraw from the military field in Europe when Germany is released by the League.

I telegraphed to you the points which I thought would be most vital for you to know and you telegraphed back your approval. I therefore presume that you will approve this arrangement, and I will continue to work as if you have approved it, as the sales season is coming on and we must not lose any more time to put this matter in operation.

Very truly yours,

(S) William N. Taylor.

WNT/AK.

The above is page 4 in full of letter of Mr. W. N. Taylor to Major K. K. V. Casey, under date of November 3, 1926.

Exhibit No. 1079

[File SP-410-AFduP]

December 22, 1926.

Du Pont-Nobel cooperation—Sales of military propellant powders and explosives.

To: Executive Committee (M. D. Fisher, secretary).

From: H. G. Haskell and A. Felix du Pont.

The following suggested arrangement, whereby cooperation will be brought about in the sales of propellant powders and other material for military purposes, is hereby set forth and recommended. Mr. J. P. Laffey has been consulted in regard to the legal aspects of this proposition and advises that there is no objection from that standpoint to entering into such an arrangement.

In accordance with the remit of the Wilmington minutes (military) of July 20th, 1926, that Colonel Taylor and Mr. Major should discuss details of the du Pont-Nobel cooperation in Europe, the following arrangement, subject to ratification by the Nobel and du Pont administration, resulted from a meeting held in London on October 14, 1926.

Present: Colonel W. N. Taylor, Mr. A. G. Major, Mr. J. Laing, Mr. L. W. B Smith, Mr. W. Shearer, Mr. R. B. Brown.

1. The products embraced within the scope of this arrangement are the following, for naval and military purposes only: Propellant powders, trinitrotoluol, tetryl, nitrocellulose for propellant powders.

2. The du Pont office in Paris, administered by Colonel Taylor, to supervise the following territory both on behalf of du Pont and Nobel: France, Belgium, Holland, Denmark, Sweden, Finland, Esthonia, Latvia, Lithuania, Poland.

3. The Nobel office in Vienna, administered by Mr. L. W. B. Smith, to supervise the following territory both on behalf of Nobel and du Pont: Austria, Czechoslovakia, Jugoslavia, Roumania, Bulgaria, Greece, Turkey.

4. Expenses of the Paris and Vienna offices to be borne by du Pont and Nobel, respectively.

5. Nobel's agents in the territory falling under the supervision of du Pont's to refrain from offering the products falling under the scope of this arrangement, and similarly to du Pont agents in the territory falling under the supervision of Nobel's to abstain from offering the products coming within the scope of this arrangement, except by special agreement between the principals.

6. Allocation of sales between Nobel and du Pont to be determined in the following proportions:

Combined sales of nitrocellulose powders.—Du Pont to Nobel 7:3.

Combined sales of TNT.—Nobel to du Pont 7:3.

Nitroglycerin powders.—Total sales to Nobel.

Notwithstanding the above proportions, Nobel agree in respect to N. C. powder to limit their quota to a yearly maximum of 300 tons, whilst du Pont agree in respect to TNT to limit their quota to a yearly maximum of 300 tons.

It is recognized that in actual practice these quotas may not be adhered to, and it is therefore suggested to the Du Pont and Nobel management that at the end of each year adjustment shall be made for services rendered in the event of one party obtaining an overquota by the payment of some agreed amount per unit of oversales.

7. With a view to the interchange of information on cordite and nitrocellulose powders as between Colonel Taylor and Nobel technicians, arrangements to be made for Colonel Taylor to have detailed discussions with the Nobel technical department. It is understood that as and when occasion demands, Colonel Taylor is to be provided with technical assistance from Nobel necessitated by inquiries from his territory, whilst reciprocally Mr. Smith may call for technical assistance from Colonel Taylor where necessary.

8. Copies of all correspondence to be exchanged between the Paris and Vienna offices shall be sent to the Nobel offices in London.

9. It is suggested that minimum prices acceptable to the principals be indicated to Colonel Taylor and to Mr. Smith, also that the credit policy be defined as regards specific countries.

10. Colonel Taylor to be provided with a power of attorney from Nobel, should experience show this to be desirable, whilst reciprocally provision to be made for Mr. Smith to be granted a power of attorney by Du Pont should occasion demand, but, irrespective of powers of attorney, each party to be furnished with credentials designed to give them entry to war offices, government departments, etc., on behalf of both Nobel and Du Pont.

11. Business emanating through armament firms, including Kynoch, Limited, to be excluded from the terms hereof, but should Colonel Taylor be instrumental in diverting ammunition orders to Kynoch, Limited, the powder used for loading such ammunition to form part of the respective quotas according to whether it be made in America or at Ardeer.

12. Blasting explosives and other products manufactured by the principals are specifically excluded from the scope of this arrangement, and Colonel Taylor undertakes to refer any inquiries he may receive respecting explosives for industrial purposes to Nobel.

13. With regard to Czechoslovak Explosives, Ltd., it is understood that where this firm meets us in competition in countries outside Czechoslovakia, then they shall be treated as ordinary competitors, unless Mr. L. W. B. Smith can find some means of compromise on any particular order.

14. *Italy:* It is considered that for the time being Italy should be handled through Nobel's French connections.

15. Government objection or prohibition shall be a valid excuse on the part of either of the parties hereto to decline to make disclosure of information pertaining to products within the scope of this arrangement.

16. It is agreed that this arrangement shall not entail the exchange of costs.

17. The arrangement to be for twelve months and to continue thereafter unless either party gives three months' notice to terminate.

18. In the event of the embargo under the Versailles Treaty on the export of propellants and military ammunition from Germany being partially or wholly removed, this arrangement to be reviewed.

H. G. HASKELL AND A. FELIX DU PONT.

AFduP:F.

EXHIBIT No. 1080

[Copy]

[File. C. S. A. E. I. C. I. Explosives. I. C. I. Military. I. G. Explosives]

NOBEL HOUSE, BUCKINGHAM GATE,
London, S.W., 1, 21st May, 1928.

South America and the Germans.

LAMMOT DU PONT, Esq.,
President E. I. du Pont de Nemours,
Wilmington, Delaware.

DEAR MR. LAMMOT DU PONT: Our German friends have been advised by their agents in Valparaiso that the government are issuing enquiries for the erection of a TNT factory in Chile. It is not clear yet whether the Germans are aware that the whole question of propellants is being examined by the Chilean Government, but I should say that they do know. At any rate they ask us what we know of the matter, and, therefore, we must show our hand to some extent in answering them.

We have discussed the matter and we feel that a question of principle arises on which we should like to have your opinion. The question to be answered is whether on South American propellant factories, in general, we should cooperate with the Germans.

The case as we see it is as follows:

(1) Despite the Treaty of Versailles the Germans can compete with us in Chile or elsewhere as we cannot prevent the export of brains and the manufacture of plant; they could easily obtain any plant they might require from a neutral country.

(2) Many hold the opinion that it will not be long before Germany, as regards armaments, will be put on identical terms with the other signatories to the Locarno agreement; it therefore may be that at some future date we may want to collaborate with them in propellant business as we do on industrial explosives.

Supposing we and Du Ponts tender for the Chilean Government military factory without reference to the Germans, we may expect them to compete. Unless finance would be a stumbling block, they would probably be low bidders.

With regard to Chile, one could reasonably advance the argument that the Germans, by refusing to take financial participation in the Chile Company, have ruled themselves out of participation in any scheme that is being worked out by the Chile company, and if it is desired to offer them a share, then it might quite well be agreed that they should take it through the Chile company. This might offer a solution of quota difficulties with Hamburg in Chile and Bolivia.

As the Chilean factory proposals have now taken definite shape, and as the Germans are asking us for our views, I should feel obliged if you would let us have a cable from you when you have had time to consider this matter.

With kind regard,

Yours sincerely,

(Signed) H. J. MITCHELL.

("Exhibit No. 1081" appears in text on p. 2795.)

EXHIBIT No. 1082

[Copy]

DECEMBER 26, 1928.

I. G. Nitrogen Plans in United States.

Mr. F. W. PICKARD,
% London Office:

This will confirm our cable of December 22nd.

Mr. Burton, president of the American Agricultural Chemical Company, recently told me that there would be a third large synthetic ammonia plant in this country, as foreign interests were going to build a plant and had already arranged for the necessary financing. Mr. MacDowell, president of the Armour fertilizer works, has just told me that the I. G. are going ahead with a synthetic ammonia plant, not from natural gas, but located in the coal fields, and he appeared to have received this information from Mr. Krauch or Mr. Schneider, who, as you know, have been over here. Carl Peters has given out an interview that the I. G. are considering building a synthetic ammonia plant in the United States in alliance with a powerful industrial group who are not now engaged in nitrogen fixation.

These statements were sufficiently affirmative to make us think that a U. S. plant is again receiving serious consideration by the I. G., and it is bad news. My feeling is that ultimately we will, by our own efficiency, stand on our own feet and not be fearful that a second large competitor will become established in the ammonia field, but that during the next two or three years there is grave danger of increased competition which once established would always have to be dealt with, and that we should do everything we can to keep the I. G. from coming in.

In the talks in Heidelberg a year ago Bosch was very emphatic in stating that the building of additional ammonia plants anywhere was "a foolishness", and in answer to Lammot du Pont's query about their own building projects he stated very warmly that these were all under weigh and they would not build any more ammonia plants; he had stated that before, was ready to state it again, that they would give an undertaking not to build any more ammonia plants. Also you will remember that their great interest in our project seemed to be particularly along the line of limiting the size of the American plant. So, if they are seriously considering an ammonia plant in the United States it is absolutely inconsistent with their declared policy a year ago. The overproduction they spoke about then seems even more sure now to be in process of realization.

You will recall that the upshot of our negotiations with the I. G. a year ago was that we could not get together on the control of the enterprise, particularly as affecting the size of the plant, and that they proposed to hold the whole matter in abeyance and see us again in May of this past year, which they did not do.

I have discussed the whole matter with the executive committee, and the president has approved the cable sent to you. We feel here that it would be well to take a stronger line on this subject than we have hitherto, and try to convey to them the unwisdom of invading this country by manufacturing nitrogen products here, which would lead us to take steps to protect our own interests.

I hope you can talk it all over with Professor Bosch. If he says that they are not going ahead, well and good. If he admits that they are considering the establishment of an American company, you may think it wise to point out that this is inconsistent with their declared policy and an unfriendly act to the Du Pont interests. We have gone ahead to enlarge our plant, as we told them we would, but we do not propose to go beyond the present moderate-size plant of 125 tons of ammonia a day until further expansion is thoroughly justified. The Allied plant at Hopewell, we now definitely learn, will promptly have a capacity of 300 tons a day. These two plants will take care of American needs, and there is no economic reason for a third plant.

For—and I think this is a very potent argument with them, though they will be reluctant to believe it—our experimental work has progressed so favorably that we are confident that we will produce hydrogen and ammonia more cheaply than anyone else will be in a position to do in this country. Despite the rumors that have been circulated about our lack of success, our cost of manufacture is satisfactorily low today and will drop, we believe, to the lowest cost in the world.

Besides—and I am sure quite distinct from this I. G. threat to build a plant here—the Consolidated Mining & Smelting Company are, as you know, planning to go into synthetic ammonia in British Columbia. Mr. Blaylock, their managing director, is going abroad early in the year to see European ammonia processes and expects to see the I. G. There is some danger that the Consolidated and I. G. would get together in a joint enterprise for making synthetic ammonia; but I feel sure that this would be unwise on the part of I. G., inasmuch as Consolidated people, who are, between us, a pretty ruthless bunch, would not be satisfied with a development of the nitrogen business in Canada, but also plan to export nitrogen products to the Far East, which would be decidedly against the interest of the I. G. They simply couldn't control Consolidated's actions at all, and will probably reject cooperation with them on that account. You may not feel in a position to discuss this Consolidated project, but I thought I would add this point for your information.

JASPER E. CRANE.

JEC–LDN
Encl.

EXIBIT No. 1083

[File 24: Bulgarian Government. BM1/BS/GEC]

BICKFORD AND COMPANY, A. G.
London office, Noble Industries, Ltd., Nobel House
VIENNA, 9TH JULY 1928,
IV, Bruckerstrasse S.

Bulgaria powder factory.

Colonel WILLIAM N. TAYLOR,
16 Place Vendome, Paris.

DEAR COLONEL TAYLOR: Replying to your question of July 5th, I should like to say that Noble Industries, in view of the small size of its powder factory desired by the Bulgarians and the consequent small amount of profit to be made out of erecting a factory, did not consider it worth all the work and risk that would be entailed, except, perhaps, as a means of obtaining interim powder orders during the building period. These interim powder orders, which might run to about 80 tons p. a., cannot be guaranteed by the Bulgarian War Office, because it has to seek permission every time it wishes to import. Neverless they are likely to be given to the people contracting to erect the factory.

There was a further reason why we did not wish to hand in an offer for this powder factory, and that is that for us to erect a military powder factory in Bulgaria would have seriously prejudiced our chances of succeeding in our negotiations for the industrial explosives monopoly in Jugoslavia.

My energies, therefore, were directed toward getting somebody else to tender for the erection of the factories and on the understanding that if they were successful they would endeavor to stipulate that the interim orders be passed to them for execution by us. I was successful in this respect, but it meant our undertaking to finance the Koeln-Rottweil-Bratislava proposition in return for a third share of the profits (if any) made on the erection of the factories. I think you must agree that this is the best arrangement that could be made in the circumstances.

The present position has just been reported to me this morning by the Bratislave representative who has just spent five weeks in sunny Sofia, handing in the tenders and holding on for the result. The position is as follows: The commission appointed to decide on the tenders allotted the work to our group, which handed in a tender in the name of the Bratislava Noble Company. The War Minister, however, was unable to sign the contracts, because our tenders (and I believe all others) exceeded the amount for which he asked to expend on these factories. There will be, therefore, a fresh adjudication in September, at which I believe Bratislava has every prospect of obtaining the contract, and we any subsequent powder orders that may be going.

With kind regards.

Yours very truly,

(Signed) — —.

Exhibit No. 1084

[File: MS-80-A]

* EXCERPT

11. The competitors for this business are very few: Aktiebolaget Bofors, of Sweden; Vickers Armstrong, of England; and Schneider, of France. As you know, these three firms work under a common agreement and apparently, if Bofors does not get the business, it will go to Schneider. We believe that the H. I. H. is active on this enquiry and will probably present a bid also.

12. The Bofors company presented the most interesting offer, giving for each gun a longer range than the Schneider guns, but the Turks are evidently becoming a little wiser as to Bofors' ways of getting business, and they decided to send a commission to the various factories to verify that their statements in writing checked with the actual performance of the guns. This commission is at present at Bofors, and we are informed that, after being once more verbally informed of the excellent performance of Bofors' guns, they had some firings made, which proved that the statements were false and that the guns do not function as stated. This has caused a great deal of ill feeling in the commission against Bofors. After completing its report, the Turkish commission is proceeding to France; it therefore looks as if the chances of Schneider getting the business are increased.

13. Under the bids, the furnisher of the guns is also called upon to supply a certain number of complete rounds for each gun, and under this plan, Schneider submitted specifications for French TNT having a solidification point of 79.5° C. and French powder specifications.

14. The Turkish technical commission in Angora has rejected these specifications and states that it requires materials complying with its own TNT specifications, which are the Ardeer specifications for TNT 80.5° C., and with its nitrocellulose powder specifications, which are in accordance with United States specifications.

15. They have indicated to Schneider that if that firm cannot obtain materials complying with those specifications in France, they will have to import them from abroad for loading in, and transmit through France.

16. There are no negotiations on these matters yet, as the whole proposition is not yet mature, but this is the general situation today.

("Exhibit No. 1085" appears in text on p. 2801.)

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* The above excerpt is page 3 (starting with par. 11 and ending with par. 16) from letter of Mr. William N. Taylor, 16, Place Vendome, Paris, to Major K. K. V. Casey, Wilmington, Delaware, T-1130, under date of February 18th, 1928.

EXHIBIT No. 1085–A

Sweden.

Received: Feb. 24, 1928.
Foreign Relations Committee.

STOCKHOLMS SUPERFOSFAT FABRIKS AKTIEBOLAG (STOCKHOLM)

Capital: Kr. 15,000,000.
Manfs.: Superphosphates, calcium carbide, calcium cyanamid, sulphate of ammonia, chlorate of potash and soda, etc.
Owns: 50–45% of capital of Nitroglycerin A/B.
Directors: G. Sandstrom, C. Edlund (Man. Dir.), M. A. Seymer, James Hunch, Rich. Nilsson, H. Nordenson, Ivar Olsson.

Net profits

	Profits	Dividends
1923 and 1924		Nil.
1925	Kr. 53, 495	Nil.
1926	Kr. 115, 806	Nil.

NITROGLYCERIN AKTIEBOLAGET

(Stockholm)

Capital: Kr. 4,000,000.
Manfs.: Explosives (dynamite, territe, and safety expl., blasting pdr., fuel cord, etc.).
Owns: 30–85% of capital of A/B Bofors Nobelkrut.
Directors: O. Holtermann, A. Wahlberg, G. Sandstrom, R. Nilsson, Hj. Stahle, C. Edlund, S. Nauckhoff (Man. Dir.).

Net profits

	Profits	Dividends
1923	Kr. 312, 799	7%
1924	Kr. 330, 279	7%
1925	Kr. 393, 130	8%
1926	Kr. 420, 733	9%

AKTIEBOLAGET BOFORS

(Bofors)

Capital: Kr. 18,000,000.
Manfs.: Heavy guns and ordnance material, iron and steel forgings, steel castings, rivet, bolt, and wood-screw machines.
Owns: 65–40% of capital of A/B Bofors Nobelkrut.
Directors: S. Wingquist, R. Sohlman, E. Odelberg, G. Ekman, M. Carlson, H. Th. Holm (Man. Dir.), O. Rydbeck.

Net profits

	Profits	Dividends
1923		Nil
1924	Kr. 21, 303	Nil
1925	Kr. 379, 958	Nil
1926	Kr. 477, 569	3%

Swedish banks stated to own 100% of capital of A/B Bofors.

AKTIEBOLAGET BOFORS NOBELKRUT

(Bofors)

Capital: Kr. 2,000,000.
Manfs.: Smokeless powder, nitrocellulose, trotyl, tetryl, hexyl, dynamite.
Directors: H. Th. Holm, R. Sohlman, S. Wingquist, G. Ekman, S. Nauckhoff, C. Edlund, C. Herlin (Man. Dir.).

Net profits

	Profits	Dividends
1923	Kr. 12,302	Nil
1924	Kr. 191,028	6%
1925	Kr. 419,721	10%
1926	Kr. 421,378	10%

Above list of Swedish companies was transposed from a photostat of original chart.

EXHIBIT NO. 1086

[Copy]

MARCH 19, 1929.

Bofors.

Mr. WENDELL R. SWINT,
E. I. du Pont de Nemours & Co.,
54 New Broad Street, Londres.

DEAR SIR: You know undoubtedly that the Bofors Nobelkrut of Sweden is our most active competitor, and they have started a price-cutting campaign which has caused considerable reflection to my department in America and to Mr. Laing of Imperial Chemical Industries.

At the present moment, we are trying to meet their prices and continue strong competition, but there is a possibility that eventually it might be advisable to come to some agreement with them.

Mr. Laing informed me that you are having competition with them in South America, in the sales of Explosives Industries. Limited; I understand that it is possible in the mind of the board of Explosives Industries, Limited, on which you and Mr. Laing are, that you may be obliged to come to some agreement with them along those lines.

In this connection, I wish to point out the peculiar organization of Bofors, and also the fact that both our departments are interested. It seems to me that it is important that we work together on this matter.

As you know, Bofors Nobelkrut is a society which makes military powders and is one of a group of societies, including a nitroglycerine aktiebolaget which also makes industrial explosives. I do not know whether it is the Bofors Nobelkrut or the Nitroglycerine Aktiebolaget which competes with you in South America; both manufacture and export dynamite, but I want to particularly point out that this entire group is controlled by Kreuger and Toll, which is a holding company which also controls the Swedish match industry, and who controls the Skandinavska Credit Aktiebolaget and which holds 100% of the stock of Bofors Aktiebolaget, which is a company manufacturing cannons.

It seems to me that the people to make an agreement with are not the Bofors Nobelkrut, nor the Nitroglycerine Aktiebolaget, but Kreuger and Toll. In any case, if an agreement is to be made, it would be better to do it with Krueger and Toll than with one of their subsidiary organizations.

The principal object of this letter is to point out that in any deal with this Swedish group, the controlling element is Kreuger and Toll, and that their position should be given the greatest consideration.

I am not writing to Laing on this matter, and request you to call these facts to his attention.

Very truly yours,

WILLIAM N. TAYLOR.

WNT RM

Exhibit No. 1087

London, *July 9th, 1929.*

Letter from E. I. du Pont de Nemours European Office, Capel House, 54, New Broad Street, London, E. C. 2, England.

To Mr. Fred G. Singer, 16 Place Vendome, Paris ler, France.

Dear Fred: Your letter of July 8th has been received, and we have had a talk with Mr. Laing, of Imperial Chemical Industries regarding the visit of Mr. Luthyen, of Imperial Chemical Industries Vienna office.

It might be well to explain our present position with regard to Bofors in the South American commercial explosive market. This company last year sold approximately 150 tons in that market, and it is thought that it might be well to make a quota arrangement with them. It was agreed, during the last board meeting of Explosives Industries, Limited, held on June 14th, that Mr. Marquard, of D. A. G., would open negotiations with Mr. Herlin early in August to bring about the desired arrangement.

It was further agreed at this meeting that no mention would be made of propellants, but it was the feeling of those present that Bofors' representative might possibly want to bring in propellants. If so, it is understood that Mr. Felix du Pont has expressed his willingness to attempt a deal with Bofors.

It was also agreed that if the meeting between Mr. Marquard and Mr. Herlin precipitated the propellants question, Mr. Marquard would report the matter, and we would then put the question before you and the other interested parties for your decision.

In conversation with Mr. Laing this morning he intimated that Mr. Luthyen had not been called to London to carry on negotiations with Bofors, but that among other things the matter of Bofors' competition would be talked over with him, and Mr. Laing intended to secure his views, so that in case the matter of propellants came up later Mr. Laing would then be in possession of Mr. Luthyen's ideas on the matter.

We believe the above will explain the situation, but if there are any points on which we have not made ourselves clear, please advise. You also may want to think over the matter of propellants, in case this question is brought up later.

Yours faithfully, (Signed) Philip J. Kimball.

RM.

[Explosives—Sweden]

Exhibit No. 1088

E. I. du Pont de Nemours & Company,
Explosives Department,
Wilmington, Delaware, May 14, 1930.

E. I. L.—Bofors.

Mr. J. K. Jenney: I am enclosing for your information and files, copy of letter of May 5th from Mr. Donaldson to Mr. Swint and copy of letter of April 26th from Bofors to Mr. Marquardt, together with copy of the agreement referred to therein.

J. W. McCoy.

[Explosives—Sweden]

5th May 1930.

Bofors agreement—private.

W. R. Swint, Esq.,
E. I. du Pont de Nemours & Co.,
54 New Broad Street, E. C. 2.

Dear Mr. Swint: We have now heard from Mr. Marquardt that the agreement with Bofors has been signed by Mr. Herlin. Copies of translation of this are enclosed herewith.

You will see that the question of Bofors interesting themselves in local manufacture of commercial explosives abroad has not been dealt with in the agreement, but Mr. Herlin has written a letter undertaking to communicate with us or with Mr. Marquardt in the event of his receiving any enquiries. Copy of this letter is also enclosed herewith.

Yours very truly,

(S) E. I. L. (Ltd.).

(Encs.)

[Explosives—Sweden]

ABSCHRIFT AKTEBOLAGET BOFORS NOBELKRUT,
Bofors, den 26.4.1930.

Erection of factory.

HERRN DIREKTOR EMIL MARQUARDT,
Dynamit-Actien-Gesellschaft,
Alstertor 23, Hamburg, 1:

With regard to the contract which we enclose herewith signed by us and which refers to our export of dynamite, we confirm herewith that we shall communicate with you if we get enquiries for the construction of factories for commercial explosives.

Yours faithfully,

(Sgd.) AKTIEBOLAGET BOFORS' NOBELKRUT,
Herlin.

[Explosives—Sweden]

AGREEMENT

Between the Dynamit Actien Gesellschaft vormals Alfred Nobel & Co., Hamburg in Hamburg, as representative of the German and foreign companies allied with them (in the following referred to as Hamburg) and Aktiebolaget Bofors Nobelkrut of Bofors (in the following referred to as Bofors) the following agreement has been made today

Clause 1.—Bofors bind themselves to limit their exports of industrial explosives to 330 (three hundred and thirty) tons of 2,000 lbs. each per annum. This quantity shall as far as possible be disposed of in South America.

Clause 2.—Hamburg bind themselves to avoid everything which could hinder in any way Bofors in the disposal of the before-mentioned quantity. For this purpose the prices ruling for the various countries which come into consideration will be made known to Bofors in order that Bofors can arrange their prices in such a way as to enable them to dispose of the before-mentioned quantity. Hamburg is also ready to quote occasionally at higher prices than the ruling list prices in order that the Bofors prices shall not be reduced unnecessarily, if and as far as this is possible in the interest of the consumers.

Clause 3.—In cases where Bofors is called upon to supply detonators (plain and electric) and fuse, they bind themselves to adhere to the prices to be made known to them by Hamburg in each case.

Clause 4.—In order that Hamburg may be able to see which quantities are to be delivered by Bofors under this contract, Bofors agrees to transmit at the end of each quarter, commencing with the 1st quarter of 1930, to Hamburg a statement of the quantities exported by the Bofors Co.

Clause 5.—This agreement commences on the 1st January 1930 and terminates on the 31st December 1934.

Bofors, the Hamburg, the

("Exhibit No. 1089" appears in text on p. 2803.)

EXHIBIT No. 1090

[PO—1443]

Bofors. MAY 25TH, 1934.

L. W. B. SMITH, ESQ.,
Imperial Chemical Industries,
Millbank, London, SW. 1.

DEAR SIR. I had the visit this morning from Mr. Sohlman of Bofors. We talked about the Greek adjudication and both expressed our dissatisfaction with the manner in which the Greeks have conducted the affair.

Shortly the Greeks will ask for more samples and expect to repeat the same kind of competition for another gun.

Mr. Sohlman said that he was of a mind not to send samples next time, but to offer to do nothing more than to put in a written offer, to be taken or left. I told him that I thought it was a good thing to do and a way to teach the Greeks.

We then discussed the question of the possibility of an agreement among the principal powder manufacturers, whereby we would not present bids if the requirements of the customers were unreasonable. We both thought that such a thing might be possible.

We also discussed the possibility of making an agreement among the manufacturers on standard laboratory methods.

We did not talk about a price agreement, nor of any territory agreement of any kind.

We discussed at length the general question of the possibility of an agreement of some kind among military manufacturers, and we both thought that while such an agreement might be possible as far as the manufacturers themselves were concerned, that due to the political situation in Europe today, and due to the general attitude toward arms manufacturers, any attempt to make a formal agreement among manufacturers would cause the loudest and most violent criticism and put us in a very disagreeable position. We would be accused of joining together to foment wars, increase armaments, etc. And we agreed that an agreement among military manufacturers and private manufacturers was a very different matter, and that any agreement made among military manufacturers would be a grave political error.

Mr. Sohlman also stated that their powder factory was getting pretty filled up with orders and very soon they would be no longer able to offer reasonable deliveries; also that they are not feeling so liberal about matters as they have in the past.

Very truly yours,

William N. Taylor.

WNT/MS.

Exhibit No. 1091

[Copy. Royal Dutch Shell]

Lazote, Inc.,
1007 Market Street, Wilmington, Del.,
September 16, 1929.

Cooperation with Royal Dutch Shell.

Mr. Jasper E. Crane,
du Pont Ammonia Corporation, du Pont Building,
Wilmington, Delaware.

Dear Mr. Crane: In considering the possibility of cooperative effort by du Pont and I. C. I. with R. D. S. it should be recognized that the I. C. I. viewpoint and the du Pont Ammonia Corporation viewpoint are fundamentally different.

The I. C. I. desire for cooperation has three objectives:

(*A*) R. D. S. presents a source of methane which may be used for a great variety of organic syntheses—most of which are as yet undeveloped.

(*B*) It is desirable to curb the R. D. S. activities in nitrogen fixation.

(*C*) The R. D. S. are the leading factor in the gasoline business in England—I. C. I. propose manufacturing gasoline in England and desire an alliance with R. D. S. on this account, first, because it is felt that R. D. S. might shield I. C. I.'s position in the gasoline field due to R. D. S.'s influence in the oil world, and, second, R. D. S. could distribute I. C. I. gasoline through the large established distributing organization which R. D. S. maintains in England and which I. C. I. does not desire to duplicate.

Objective "A", namely, the methane as a raw material for organic syntheses, is, in my estimation, of minor importance and is probably brought to the fore to no small extent in order to mask objective " C " when discussing the entire subject with us.

That objective " B ", namely, the curbing of R. D. S. activities in nitrogen fixation, is highly important in the eyes of I. C. I. there is absolutely no question. However, I gather that I. C. I. do not know just how to go about this and their suggested procedure seems to be rather brutal, namely, to form a holding company in which I. C. I. would be the controlling factor—this holding company would veto all suggestions to build nitrogen-fixation plants. This proposed method of procedure would be efficacious if practicable, but it seems unlikely that it will be possible to draw an agreement which would make the suggested procedure practicable.

In objective "C" it is quite clear that I. C. I. is an aggressor in the R. D. S. field and obviously R. D. S. would feel toward I. C. I.'s coal hydrogenation aspirations in precisely the same manner as I. C. I. feels about R. D. S. nitrogen fixation aspirations. It will be noted, however, that the I. C. I. does not propose to keep out of coal hydrogenation and as an offset ask R. D. S. to keep out of nitrogen fixation—quite the contrary, I. C. I. on the one hand desires to hydrogenate coal and on the other hand desires to keep R. D. S. from fixing nitrogen. Just how I. C. I. expect to accomplish this one-sided cooperation is neither clear to me nor apparently clear to the I. C. I., unless the R. D. S. were inveigled into an agreement of a type which it seems quite apparent the R. D. S. is far too smart to sign.

Insofar as the du Pont Ammonia Corporation is concerned there are two possible objectives in cooperation with R. D. S.:

A. To secure a source of methans.

B. To curb the activities of R. D. S. in nitrogen fixation.

Although there may be some foundation for the I. C. I.'s expectation that cooperation with the R. D. S. will secure a supply of methane otherwise not available, this possibility cannot hold from our viewpoint. Of methane, practically limitless supplies are available from dozens of sources in the United States and there seems little question that we can obtain all we desire or require at a price of 2¢ to 4¢ per 1,000 cubic feet without entangling alliances of any type. From the viewpoint of securing a supply of methane via an alliance with the R. D. S., it would be quite as reasonable to propose a partnership with a coal company in order to secure for ourselves an adequate supply of coal.

Our objective "B" is, as I see it, our sole objective. It is not clear to me how an alliance with the R. D. S. will curb their activities in nitrogen fixation. R. D. S. desire our cooperation in order to enable them to approach nitrogen fixation and the chemical field generally via the high-pressure synthesis route with a minimum of effort.

As I see it, the only manner in which the cooperation between R. D. S. and du Pont Ammonia Corporation could curb R. D. S. would lie in the possibility that we undertook to refrain from doing something if the R. D. S. refrain from nitrogen fixation. Casting about for possibilities of things we might offer to refrain from doing, which might be interesting to the R. D. S., I can think of but two—first, the hydrogenation of petroleum and second, the hydrogenation of coal.

Insofar as either of these hydrogenation possibilities are concerned it must be recognized that we have no definite plans to proceed with either in the immediately foreseeable future. Insofar as hydrogenation of petroleum is concerned, the Standard Oil Company of New Jersey is now building three plants for this purpose and it seems quite unlikely that our offering to refrain from entering this field will carry much weight with R. D. S. Similarly an offer on our part to refrain from coal hydrogenation would carry little weight with the R. D. S. as R. D. S. know quite as well as we do that it is unlikely that coal hydrogenation will be an economically feasible method of gasoline production in the United States until the present sources of crude oil become exhausted—in other words until it is necessary to go to oil shale for raw materials for gasoline and oil production. This development is certainly ten or fifteen years in the future, and an offer on our part to forego coal hydrogenation, were we prepared to make such rash promises, would at best it seems carry but little weight with the R. D. S.

Turning to the R.D.S. viewpoint for a moment, it seems probable that the R.D.S. interest in nitrogen fixation does not lie primarily in R.D.S.'s desire to become a factor in the nitrogen business but rather to R.D.S.'s desire to obtain an education in high-pressure synthesis. Nitrogen fixation presents the readiest method of applying high-pressure synthesis on a commercial scale with a developed process on the one hand and with a market to absorb the product of the process on the other hand.

R.D.S. have the example of the Standard Oil Company of N.J. before them, i.e., the allowance of the Standard Oil Company of N.J. with the I.G. R.D.S. realize that the supply of crude oil, be it sufficient for five years or for fifty years, is not unlimited, and that one day, however far in the future, the products now derived from crude oil must be made by another method. In view of the R.D.S. investment in the oil business, it seems logical and foresighted that R.D.S. should prepare themselves for the day when petroleum products are made by other methods than the refining of crude oil.

Putting the matter in a nutshell, R.D.S.—at the moment—see in their California ammonia plant the opportunity for a chemical education in the high-pressure synthesis field rather than a stepping stone to becoming factors in nitrogen fixation. If this were not so, it would be very much more logical for R.D.S. to build a nitrogen-fixation plant at one of the R.D.S. oil fields adjacent to the Gulf of Mexico. The plant is being built instead in California, because at California are concentrated the technical forces of the R.D.S. All of the foregoing should not be construed to mean that R.D.S. would not build other nitrogen-fixation plants once the California plant is successful, for naturally their viewpoint would change with their progress in the art.

It seems probable that the California nitrogen-fixation plant proposed by the R.D.S. would be more troublesome to the I.C.I. in the nitrogen markets in the Far East than it would be to us, as it will be impossible to ship nitrogen products from California to the United States east of the Rocky Mountains. The west coast will not support the California R.D.S. nitrogen plant and the Far East is a logical market for the bulk of the nitrogen produced in California.

If the California plant of R.D.S. were the beginning and end of oil companies' activities in nitrogen fixation, the problem presented would be simple. The serious aspect of the matter is the fact that there are many sources of methane supply owned by many oil companies, and with R.D.S. blazing the trail it seems not unlikely that at least some other of the oil companies would decide that they must get into the chemical field and find it convenient—even as the R.D.S.—to start their education by building a nitrogen-fixation plant. An association or alliance with the R.D.S., unless that alliance effectively stopped the R.D.S. nitrogen-fixation program, might well have the result of encouraging other oil companies to get in the chemical business and specifically into nitrogen fixation rather than to curb them from doing so.

Finally, consideration should be given to the point that R. D. S. are not necessarily the best partners to have in the United States, if we must have an oil company as a partner; for even though an alliance with R. D. S. might today have advantages from our viewpoint, those advantages may not have equal force ten or fifteen years from now when perhaps du Pont Ammonia Corporation will be interested in coal hydrogenation.

In conclusion I wish to say that it is my personal opinion that the lesser of the many evils presented by the R. D. S. proposal lies in our refusing to partake in the cooperation which has been suggested; giving as a reason for this refusal the very evident uneconomic nature of the R. D. S. venture in California and coupling with our refusal an expression to the effect that the du Pont Company would consider the building of a nitrogen fixation plant in California as an unfriendly act, whereas we desired mutual good will to make possible cooperation in some economically sound enterprise in the future.

Finally, reference should be made to the possibility that the I. C. I. may be quite unable to cooperate with R. D. S. unless the I. C. I. are assured that R. D. S. will not fix nitrogen; this possibility exists if the reported I. C. I.-I. G. agreement binds the parties thereto not to build or be interested in building further nitrogen fixation plants other than expansions of existing plants in England and in Germany in accordance with the provisions of said agreement. No doubt the actual provisions of the I. C. I.-I. G. agreement will be learned from the I. C. I. before the discussion of the R. D. S. matter or in the discussion of the R. D. S. matter with I. C. I.

(Sd.) WALTER DANNENBAUM.

WD:FM.

EXHIBIT No. 1092

[Copy. Royal Dutch]

*Orig. letter in Lazote files.

E. I. DU PONT DE NEMOURS & CO.,
WILMINGTON, DELAWARE

EUROPEAN OFFICE, CAPEL HOUSE,
54 New Broad Street, London, E. C. 2, July 25, 1929.*

To: Mr. Jasper E. Crane and Mr. F. A. Wardenburg.
From: W. Dannenbaum, London.

Finding that it would be impossible for us to arrive in London in time to keep the 3 o'clock appointment with Sir Harry McGowan, we cabled Mr. Swint from Cherbourg. Mr. Swint met us at the train, and we discovered that the engagement had been shifted to 4 o'clock. Mr. Swint and I proceeded to the I. C. I. Building directly from the train and first saw Sir Harry alone.

After a little general conversation, Sir Harry asked about the object of our visit insofar as Billingham is concerned, and regarding the length of time we might want to stay there. We informed him that it seemed to us a minimum of 2 weeks would be desirable, or perhaps 3 weeks would be necessary if a visit of this duration would be satisfactory to him. He seemed to think this entirely in order.

He then spoke about the Royal Dutch Shell matter, and stated that R. D. S. were apparently trying to force the negotiations to a conclusion, and that their head commercial man, a Mr. Kessler, expected to talk with them in a rather final manner the next day, namely, Tuesday. However, after discussing the matter among themselves, Sir Harry had come to the conclusion that the R. D. S. people should be put off and that Lord Melchett was writing a letter to the R. D. S. chairman on Monday afternoon to the general effect that, if an immediate decision with regard to the cooperation were demanded by R. D. S., I. C. I. must be unwilling to cooperate, for it would be necessary to consult with du Pont before an arrangement could be made with R. D. S. and a discussion with du Pont could not very well take place before September, when Sir Harry would visit the U. S.

Sir Harry also set forth in somewhat indefinite terms the fact that he did not want the R. D. S. matter to interfere in any way with the du Pont-I. C. I. cooperation.

Sir Harry then turned us over to Mr. Mitchell and Colonel Pollitt. These gentlemen asked us about the duration of our stay at Billingham, and we went over about the same ground as that covered with Sir Harry. They both seemed most cordial in their invitation to stay as long as we found it necessary or desirable. In this connection, I wish to say that I did not have with me the letter addressed to Col. Pollitt—it was delivered to him yesterday—and we, i. e., Messrs. Swint, Williams, Varnes, and I, are to see Col. Pollitt this afternoon.

Mr. Mitchell and Col. Pollitt then enlarged upon the R. D. S. matter and told us that Mr. Pyzel, the man who has charge of the R. D. S. operations in California and who is carrying on the negotiations with I. C. I., would be on hand on Tuesday to discuss the technical features of the ammonia plant, among other things. Messrs. Mitchell and Pollitt were also under the impression that Mr. Kessler would be on hand in the afternoon to carry on the discussion of the world-wide I. C. I.-R. D. S. cooperation. They were apparently not aware of the decision that had been reached by Sir Harry and Lord Melchett to stall on this matter. We told them of our understanding in this connection, and they immediately made inquiries and discovered that we were correct, and I gathered that they thought this a rather good solution for the immediate difficulties.

Both of these gentlemen expressed themselves quite strongly to the effect that they did not desire to have the proposed cooperation with R. D. S. interfere with the Du Pont-I. C. I. arrangement in any manner whatsoever. At the same time, it is quite apparent that they desire the hook-up with R. D. S. Personally, I am inclined to the opinion that they desire this in large part because they wish to be able to control the R. D. S. activities. On the other hand, they seem to think that, if the I. G. found cooperation with the Standard of N. J. desirable, it is similarly desirable for the I. C. I. to have an alliance with another large oil-producing company. Please understand that the latter statements are conjectures on my part rather than definite statements made by either of these gentlemen.

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* Pencil markings.

We found that Messrs. Mitchell and Pollitt were whole-heartedly in favor of blocking the R. D. S. ammonia plant in California. This feeling on their part is by no means solely due to a desire to further our interests, but is due to the fact that they plainly see that the logical market for ammonia produced in California, other than the small consumption of ammonium sulphate in California and Hawaii, would be in the Far East, and to put it mildly, the I. C. I. are very jealous of the Far Eastern market. There is absolutely no question that the I. C. I. wish to block the ammonia plant in California, but it is not entirely clear to them how they should go about doing it.

About this time, Major Samson joined us—Major Samson is the London office man who keeps in close contact with Billingham on ammonia matters and fertilizer matters and apparently is Col. Pollitt's chief assistant (in the London office)—in this discussion. Major Samson is the one who will take us to Billingham.

After Major Samson's appearance, we discussed briefly other possibilities for using the R. D. S. gas in California, including hydrogenation of crude oil, development of electrical power, etc. It was finally decided that we would meet Major Samson on Tuesday morning and discuss ways and means for presenting the best argument to Mr. Pyzel, and then come together with Mr. Pyzel on Tuesday afternoon.

I should explain that the gases which R. D. S. propose utilizing for ammonia manufacture in California are not, as we thought when we left the U. S., refinery gases, but are natural gases (chiefly methane), which come forth from the oil wells together with the oil. There is a tremendous amount of these gases being wasted to the air in California. The R. D. S. fields are sending about 75,000,000 cu. ft. per day into the air, or enough to make 500 tons of ammonia per day via the rather crude method of gas utilization the R. D. S. propose employing. R. D. S. propose cracking the gas, or "reforming" it, at a comparatively low temperature—this "reforming" process produces a gas containing about 66% hydrogen. The hydrogen is to be separated via the Linde apparatus and ammonia produced by the Mt. Cenis process.

Messrs. Swint, Williams, Varnes, and I met Major Samson at 10 o'clock on Tuesday and proceeded to discuss the manner in which we should pursue our conversations with Mr. Pyzel. We discussed the possible markets and all of the factors we could think of, and finally arrived at the conclusion that we should try to let Mr. Pyzel tell us his story and then ask time to digest the information thus received, and finally have another talk to present our views.

After lunch we met Mr. Pyzel and tried to get him to talk. This was somewhat of an undertaking, and I believe that at the beginning he was rather suspicious—of just what I do not know. However, as the afternoon wore on he loosened up a bit, and finally we got him down to brass tacks.

We discovered that he believes he can make ammonia for 2.3 cents per lb. at a plant which it is proposed to erect at Long Beach, Cal. We also discovered that he thinks the market for calcium nitrate is increasing rapidly in California and that it can be greatly increased by means of propaganda. We found that the R. D. S. had made a very thorough study of the technical end of the proposed process and have apparently gathered bids on all the necessary equipment and would be ready to start building a plant immediately. The plant they are building at Ymuiden will be complete and in operation before the end of the year.

At the R. D. S. laboratories in Amsterdam, or near Amsterdam, the R. D. S. are working on quite a number of schemes to utilize the refinery byproduct gases, including the process for making butyl alcohol, propyl alcohol, ethyl alcohol, and acetone. Apparently they have done little, if any, work on hydrogenation of crude oil.

Finally, on Tuesday afternoon, we were given a rather sketchy memorandum drawn by the I. C. I. regarding the California ammonia plant and another confidential cost report, which had been compiled by the I. C. I. on the basis of information given by the R. D. S. with regard to costs of ammonia at Ymuiden and at the proposed California plant.

Tuesday evening we spent in going over these costs reports and translating them into American figures. We reached the conclusion that the 2.3 cents cost might be a trifle low. In other words, that the ammonia might cost 2½ cents per lb. Adding the cost of making ammonium sulphate from gypsum and adding various other items, such as royalty, taxes & insurance, depreciation, we arrived at a mill cost of sulphate of a little under $30.00 a ton; and adding sales expense and a $4.00 freight, we arrived at a delivered cost at Californian points of about $34.40 per ton. Needless to say, the $4.00 freight figure was just a guess. We added working capital to the capital cost of the plants, and found that a return of less than 1% would be made if the selling price were $35.00, and a return of 12.8% if the selling price were $44.00 per short ton of sulphate delivered.

Yesterday, Wednesday, morning we discussed these figures with Major Samson, and later, when Mr. Pyzel joined us, showed them to him. We went over the figures item by item and found that R. D. S. have no intention of taking out Chemical Foundation license. Not that they object to paying a royalty, but because they cannot obtain the Chemical Foundation license due to the fact that they are not 75% American owned. They are quite firm in their conviction that if sued by the Chemical Foundation, the R. D. S. would be the victors in the lawsuit.

The discussion finally boiled down to a discussion of the future prices of nitrogen. We set forth that in all our calculations we assumed a price not exceeding $35.00 per ton of sulphate and evaluating various fertilizer processes, and that we felt any process should be able to live with a sulphate of ammonia price of $30.00 per ton delivered in the eastern part of the U. S. It is a curious coincidence that I. C. I. figure that sulphate may go as low as about $28.00 a ton f. a. s. Billingham.

All of this was in the nature of a jolt to Mr. Pyzel. He did not say that these prices would not be current over a period of years, but he seemed of the opinion that it might take quite a few years to reach such low prices.

The discussions led to no very definite conclusion except that Major Samson undertook to draw up a report embodying the "conclusions" arrived at in the three-cornered conference, and Mr. Pyzel and we are to examine this report before it becomes an "official document." The I. C. I. are strong on writing reports.

Just where this matter stands it is difficult to say. The R. D. S. apparently wish to get into the chemical industry. Originally, the ammonia plant was intended as a club against the I. G. The I. G. apparently made the mistake of telling the oil industry generally and the R. D. S. specifically that in due time the I. G. would make all of the oil the world required by synthetic methods. Whether the I. G. said this or not, that was the R. D. S. impression of the I. G.'s intentions. It seems evident that the R. D. S. no longer think an ammonia plant in California would be a good club insofar as the I. G. are concerned, but perhaps they think it a good club to obtain an association primarily with I. C. I. and perhaps secondarily with Du Pont. The R. D. S. is determined to get in the chemical business.

The I. C. I., on the other hand, seem quite as anxious for the association as the R. D. S. From an international viewpoint, the R. D. S. association for the I. C. I. has far more interest than the R. D. S. association, from our viewpoint. The R. D. S. is the outstanding international oil company, whereas it is hardly the outstanding oil company in the U. S. It seems to me that, from our viewpoint, R. D. S. is merely one source of supply of methane—one source among literally thousands of sources. However, the discussions of the broad policy in this matter seemed to be postponed until Sir Harry goes to New York, and we have made it quite evident that we are not here to discuss broad policies but are merely here, insofar as the R. D. S. matter is concerned, to discuss the technical features and the economics of definite proposals which the R. D. S. may wish to bring up for discussion. Yesterday morning Mr. Pyzel had a conversation with Sir Henry Dettering, who is in London at the present time, and apparently the conclusion was reached that Mr. Pyzel will go to the U. S. and be there when Sir Harry arrives. This is to make it possible to have a three-cornered discussion in the United States.

If we are correct in our belief that the R. D. S. will build this plant, or will continue to propose building it, not because it in itself is a profitable venture but instead on account of some ulterior motive, it seems obvious that we will not get very far discussing either technical matters or the economics of the proposal.

We see Colonel Pollitt this afternoon, and, unless something new and unforeseen arises, we are leaving for Billingham early this evening and will spend two weeks in Billingham. We will then return to London and will, I believe, carry on further discussions with regard to the R. D. S. matter—at that time it is to be assumed that the alcohol and acetone aspirations of the R. D. S. will be touched upon.

Yours very truly, (Sd.) WALTER DANNENBAUM.

WD/AAD

P. S.—The R. D. S. mode of thinking does not recognize depreciation as an item of cost. Their practice in the oil industry seems to be to see how much profit can be made and how many years it takes to write off an investment, and after the investment is written off all of the profit is profit. When we speak of a 12% return and 9½% depreciation, they speak of a 20½% return and say that it will only take five years to write off a plant. This viewpoint makes it more difficult to get R. D. S. to worry about future prices of nitrogen—it also tends to confirm the opinion that R. D. S. have in mind other things than the profit to be made from the plant. In a way, perhaps, they regard it as their introduction into the chemical industry and the cost of the plant as the price of education. The total cost of the California plant rated at about 60 metric tons W2 capacity, and including a plant for converting 48 metric tons of W2 into sulphate and 18 metric tons of W2 into calcium nitrate, is approximately $8,000,000.

W. D.

EXHIBIT No. 1093

[I. G. meetings]

F. S.
E. K. B.

E. I. DU PONT DE NEMOURS & COMPANY
Wilmington, Delaware

LONDON OFFICES, BUSH HOUSE,
Aldwych, W.[1] *C., 2, July 17, 1933.*

Mr. WENDELL R. SWINT, *Director,*
Foreign Relations Department.

Letter no. 1097. Conferences in Germany with Mr. Jasper E. Crane, Vice President, July 9 to 14, 1933, inclusive.

I am including in the following paragraphs results of Mr. Crane's and the writer's conversations during trip to Germany July 9 to 14, inclusive. I am not writing separately to the respective department, but am enclosing two extra copies of this report, Mr. Crane already having received a copy here in the office.

Prof. Dr. Carl Bosch, Heidelberg, July 10

Messrs. Crane and Ewing met with Prof. Dr. Carl Bosch at his home in Heidelberg on Monday afternoon, July 10. We found Professor Bosch looking extremely well considering his long period of sickness.

Mr. Crane explained that he was on a trip to Europe to renew old friendships, this being the first trip to Germany in six years. There followed a general discussion of the economic situations in Germany and in the United States, and Prof. Bosch confirmed our opinion that times in Germany at present are very difficult, and for industry the last few weeks have been especially difficult. Whereas the revolution of 1918 consisted of the middle and upper classes against the lower, the present revolution consists of the lower and middle classes against the upper class and industry. Just now it is a question of fascism and bolshevism, and industry must support the present Government to prevent further chaos. In the beginning, Hitler did not consult industrial leaders, but in recent weeks he has shown his stability by curbing the more extreme element of the party and bringing the industrial leaders into consultation with him. Dr. Bosch has been in Berlin in direct contact with the Government, and in fact spends practically all of his time between his dwelling in Heidelberg and the government offices in Berlin, thus leaving little, if any, time for the affairs of the I. G. Farbenindustrie.

Dr. Bosch expects a relief in unemployment taxes through the spreading of work similar to the scheme which has been adopted in America. The unemployment figure is decreasing, and from a high of about 7,000,000 there are now unemployed in Germany only about 4,800,000 to 5,000,000.

The home trade is improving, although the export business has been badly hit. According to Dr. Bosch, Germany must export. Of the total business of the country the normal export is 20%, but I. G. normally exports about 60%.

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[1] Pencil markings.

Dr. Bosch then told us of the I. G. Farbenindustrie plans for oil from coal. Up to the present they have been manufacturing 50,000 tons per annum of gasoline from tar. Now they have succeeded in manufacturing gasoline direct from brown coal and are at present operating at the rate of 80,000 tons per year from tar and 20,000 tons from brown coal. Plans are under way to increase the production fourfold, thus producing 400,000 tons of gasoline per year. We understand that all of the increase will be manufactured from brown coal, and production will therefore be divided 80,000 tons per year from tar and 320,000 tons per year from brown coal.

Mr. Crane recalled to Prof. Bosch the splendid cooperation which we enjoy with I. C. I., and in this Prof. Bosch was much interested. He asked regarding collaboration in research work, saying that, in his opinion, there must be competition in research. Mr. Crane explained that even in the respective companies we have competition between different departments on research work, but that collaboration between the two companies has eliminated unnecessary duplication. Prof. Bosch indicated approval of the idea of collaboration in research.

Prof. Bosch stated that he wanted to retire from active participation in industry and to devote his time to his scientific hobbies. When asked who would head up the I. G. Farbenindustrie he replied, Dr. Krauch, Dr. ter Meer, and Dr. Gajewski, and indicated that Dr. Gaus was due to retire.

After our conversation, Prof. Bosch took us on a tour of his laboratories, during which he showed us also his excellent crystal collection—one of the best in Germany—and his collection of beetles and butterflies.

Mr. Crane explained that Grasselli had produced quantities of indium metal, and Professor Bosch asked for a sample of a few grams. (Will you kindly arrange for transmittal of a representative quantity direct to Prof. Bosch?)

I. G. Farbenindustrie investment

On Tuesday, July 11, we met in Dr. Schmitz' office at the Deutsche Laender Bank, Berlin. Present also were Dr. Krauch, of I. G. Farbenindustrie, and Mr. Akers, of I. C. I. Mr. Crane explained to Dr. Schmitz the situation regarding our investments in I. G. bonds and shares and our desire to convert the entire investment either to cash, if that were possible, or to shares in the Swiss company or the American I. G., giving as the reason that the dollar is now off and marks will buy more dollars than at the former rate. Mr. Crane said he felt that our investment in I. G. Farbenindustrie was so small as to be relatively unimportant to I. G. Farbenindustrie. Furthermore, the growth of nationalism in different countries would indicate that in these small investments it would be a better plan to sell the interest.

Dr. Schmitz emphasized the fact that I. G. does not control the I. G. Chemie-Basle, which is strictly a Swiss company governed by a Swiss board of directors. He also impressed upon us the wisdom of his action several years ago in setting up the I. G. Chemie-Basle, as the trend of recent events shows that his plans were well founded. I. G. Chemie-Basle, according to Dr. Schmitz, is set up to control practically all investments of I. G. Farbenindustrie outside of Germany, and I. G., Germany, does not own one share. We presume that a dummy Swiss director holds the I. G. interests in this company. It was Dr. Schmitz' opinion that it would be quite impossible to convince the board of I. G. Chemie-Basle to transfer our German holdings in return for shares in the Swiss company or in the American company, and neither the Swiss directors nor the directors of the American I. G. would consent. In speaking with Mr. Mitchell of I. C. I. later, he said very definitely that Dr. Schmitz' analysis of the situation is untrue.

Dr. Schmitz agreed to determine if we can sell in Switzerland our German bonds and shares and buy I. G. Chemie-Basle shares in Switzerland. However, as the bonds are quoted in Switzerland at about 70% as against 118% in Germany (which difference accounts for the sperrmarks transaction of 40 to 50%), it is not likely that the exchange will be attractive.

Dr. Schmitz stated that he wanted to keep us as investors in the German company and felt that it was only feasible to sell the bonds in Germany and to buy I. G. shares in Germany, which, according to the regulations, would be blocked for five years. He promised to advise us further on this point, but at the same time agreed to assist us in carrying through the transaction within Germany upon our request.

In discussing the question later at lunch, Dr. Schmitz told Mr. Crane that it might be possible to convert our I. G. holdings to I. G. Chemie-Basle, providing we would take the revenue therefrom in the form of blocked marks.

This scheme is unattractive, as the I. G. Chemie-Basle shares would not be salable with the dividend restriction.

Present at the luncheon, in addition to Mr. Crane and the writer, were: Dr. Schmitz; Mr. Akers; Dr. Jacobi, commercial director, nitrogen dept., I. G.; Mr. Oster, director, Stickstoff-Syndicate; Dr. Krauch, director, nitrogen dept., I. G.; Dr. Mueller, manager of Oppau; Mr. Pfarenhorst, asst. manager of Oppau; and Mr. Schneider, manager of Merseburg.

Hydrogen & nitrogen cooperation

Following the luncheon, we met in Dr. Krauch's office with Mr. Akers, Dr. Mueller, and Mr. Pfarenhorst to discuss hydrogen and nitrogen cooperation. In principle, the representatives of the I. G. agree that a technical exchange of nitrogen is desirable, but they would prefer to discuss the situation further with their commercial people, who at the moment do not see how the two companies could continue to compete in neutral markets. While agreeing in principle, I. G. Farbenindustrie cannot reduce the contracts to written form because of the present chaos in the Government and the suspicion which would follow an international cooperative movement of this kind. The Government men in high place are being changed daily, which also makes it difficult to discuss the situation. Dr. Krauch also confirmed that Dr. Bosch is in constant touch with the Government and believes that in the end sane views will prevail.

Meeting with Kokswerke July 11

At 3:30 we met with Dr. Berckemeyer, Dr. Bie, Dr. Borner, and Dr. Weltzien, at Kokswerke's office, when the economic situations in Germany and the United States were discussed. Later, Mr. Crane visited Spindlersfeld in company with Dr. Borner, and in the evening we dined with Dr. Weil, Dr. Borner, and Dr. Weltzien before taking the train for Frankfurt.

Meeting with Scheideanstalt July 12

Having learned by telephone from Berlin that Dr. Busemann was leaving early on Wednesday morning for holiday, we called upon him at 9 o'clock at the Scheideanstalt offices in Frankfurt. Respective affairs in the two companies were discussed, and Dr. Busemann touched upon the proposed du Pont-Scheidenastalt agreement. He also referred to the proposal to curtail or eliminate the Downs process royalties and referred to the history of the development of this situation and the different events with Dr. Carveth. Later we saw Mr. Schlosser, who confirmed the feeling of Scheidenastalt with respect to the Downs process. Mr. Schlosser stated that Mr. Berwind would be returning to Frankfurt from New York in a few days, following his discussions in the U. S. A. with the R. and H. chemicals department and would no doubt have some comment with respect to our intentions on the Downs agreement.

Meeting with I. G. Farbenindustrie July 12

At 10 o'clock we called at the main offices of I. G. Farbenindustrie and spent some time with Dr. von Schnitzler and Dr. ter Meer, and were later joined at luncheon by Mr. Weber-Andreae. Mr. Crane related the trend of developments in the United States and emphasized the fact that a strong feeling of nationalism pervades our country today. The German gentleman discussed the political situation in Germany, with particular reference to the positive position of the Government against the Jews. They also explained how Herr Krupp had developed a scheme whereby industry could contribute to the party organization funds; and, in fact, every industry is called upon to pay ½% of the annual wage and salary roll to the Nazi organization. For the I. G. Farbenindustrie the annual amount is about RM. 1,000,000, which would indicate a combined annual wage and salary payment of the I. G. Farbenindustrie of RM. 200,000,000, or $50,000,000 at par. Later it was learned that the employees of I. G. total 68,000, exclusive of mine workers and those in affiliated companies.

During the course of the morning I took occasion to explain to Dr. ter Meer the functions of Dr. W. F. Zimmerli, attached to the London office, and received a very favorable reaction from Dr. ter Meer, who had already met Dr. Zimmerli personally. It was Dr. ter Meer's expressed idea that du Pont and I. G. Farbenindustrie should collaborate more closely on research and development ideas, and he would be glad to have Dr. Zimmerli confer with the different laboratory heads. (Although Dr. Zimmerli has already met many of the leaders in I. G. research, he has purposely refrained from making any direct contact with them until after his first meeting with Dr. ter Meer. Accordingly, the way seems to be clear now for Dr. Zimmerli to pursue his work through the I. G. Farbenindustrie organization.)

Following luncheon, we visited Dr. Carl von Weinberg, who is now 73 years old and who comes to the office daily for consultation with the active members of the I. G. Dr. von Weinberg also discussed the situation in Germany and, although he is a Jew, has given the movement his full stamp of approval. He stated further that all of his money is invested in Germany and he does not have one pfennig outside the country. We spoke of the proposed increase in collaboration with I. G., to which he was in hearty agreement. In touching upon I. G.'s interest in the U. S. A., Dr. von Weinberg indicated that I. G. was very well pleased with the investment, and by suggestion gave us to understand that they had no intention of retiring from that market.

Interviews in general with I. G. Farbenindustrie were of a very pleasant nature, and indicated the closer cooperation which is manifest between du Pont and that company.

Dr. Paul Mueller, Cologne, July 13

We made a brief call on Dr. Paul Mueller in Cologne, when Mr. Crane mentioned that we would probably want to dispose of our German holdings if possible. Dr. Mueller showed keen disappointment and regretted exceedingly that we would want to part with our interests in D. A. G., and felt that, if for no reason other than for sentimental attachment, we should try if possible to retain them. While he would not object if we had good reasons for selling, yet he would feel a personal loss if we were to dispose of our equity. We left it that we would probably not dispose of our D. A. G. shares, but that if the time should ever come when our holding of these shares would prove to be an embarrassment to Dr. Mueller, he would advise us immediately, when disposal arrangements could be made.

Dr. Mueller spoke of the development at Troisdorf, saying that their present rate of production is 4,000 kilos. celluloid daily, divided between four factories. In fact, celluloid is declining at a rapid rate and is being displaced by the new synthetic resins, such as urea formaldehyde and phenyl formaldehyde.

HHE/AAD HOMER H. EWING.

EXHIBIT NO. 1094

[Copy to Mr. W. H. O'Gorman, Smokeless Powder Dept.]

NOVEMBER 18, 1929.

Col. W. N. TAYLOR,
E. I. du Pont de Nemours & Co., Military Sales Department,
16 Place Vendome, Paris, France.

DEAR COLONEL TAYLOR: As you probably know the London office recently signed a contract with the Lurgi Corporation which is the chemical engineering subsidiary of Frankfurt Metallbank relative to the exploitation of the ammonia oxidation process in certain European countries. The artillery department of the Royal Swedish Army recently wrote them asking for assistance in planning a factory for the manufacture of oxidation of ammonia to nitric acid. It happens that Sweden is not in the territory assigned to Lurgi, and we believe that the inquiry emanated as the result of Dr. Sparre's discussions with Mr. Ragnar Sohlmann last June. Our London office is, therefore, handling the matter direct.

I am forwarding this information to you purely for your general information as you are of course interested in any relations we may have with any European war departments. Possibly the London office have already told you about this.

Very truly yours,
FOREIGN RELATIONS COMMITTEE,
J. K. JENNEY, *Secretary.*

jkj/ems

EXHIBIT NO. 1095

[Copy to: Messrs. F. E. Pickard, F. B. Davis, Jr., J. E. Crane, Wm. Richter, W. F. Harrington, H. G. Haskell, Fin Sparre]

WILMINGTON, DEL.,
October 19, 1928.

To: Mr. Lammot du Pont, President.
From: Foreign Relations Committee.

With reference to your memorandum to Mr. Pickard of October 17th, attaching letter from Mr. Agache, stating that he and Mr. Berr would like to visit some of our plants, I have ascertained from Messrs. Harrington, Richter and Davis that there is no objection, so far as they are concerned, to showing these gentlemen the dye works, Philadelphia and Arlington plants. Mr. Crane feels that we have no right to show them the Belle plant which is unfortunate as I judge this is the plant they will be most anxious to see.

Mr. Donat Agache is president of Kuhlmann, being a grandson of Frederic Kuhlmann, the founder of the company. He was born in 1882, educated in France and at Oxford, has traveled extensively in England and the United States. He was recalled from the front in 1915 to become managing director of Kuhlmann, and to coordinate the activities of his company with the munitions department of the Government. He became president in 1921. He is also a director of the Chemins de fer du Nord, of the Mines d'Anzin and a director of the A. C. S. A. (International Casale).

Mr. Raymond Berr, with whom Mr. Crane is acquainted, is director general of the organic chemical activities of Kuhlmann, and he is in charge of the production of synthetic nitrogen and nitrogen fertilizers.

As you know, the du Pont Company has had friendly relations with Kuhlmann through our dyestuffs department, and on various chemical matters, principally through our development department. It is by all odds the most important company in the dyestuffs and general chemical field in France. It has recently been branching out into synthetic ammonia (Casale process) and synthetic methyl alcohol (General Patart's process) and our London office is now negotiating with them relative to the possible purchase of our ammonia oxidation process rights for Europe. The company has also entered the rayon industry, and has recently expanded its activities in lithopone. I believe that their activities parallel ours in such lines as: Lactic acid, acetic acid, carbon bisulphide, sulphuric acid, sulphur dioxide, rubber accelerators, etc., etc. They recently purchased the General Electric glyptal resin patents for France, and are building a plant. It is also reported that they have purchased the Pollak patents for France on phenol formaldehyde moulding powders, plastics, glass, lacquers, etc. We have heard nothing recently concerning their activities in the laquer field, but Mr. Albert Blum told us about a year ago that they had invented a substitute for duco which he said was supposed to be superior to it, and is being manufactured, or will be manufactured, by Kuhlmann. Sometime back they also expressed interest in the manufacture of tetra-ethyl lead for France.

As you also know, the outstanding point about their relations with other companies is the Kuhlmann-I. G. agreement of dyestuffs. There have also been numerous rumours that this agreement will be extended into the nitrogen field, and we have also heard that the I. G. has aided them in the production of mixed fertilizers (nitrophoska).

We have more detailed information along the above lines in our files in case you are interested.

jkj/ems. (S) J. K. Kenney, *Secretary.*

Exhibit No. 1096

London Office, Bush House,
Aldwich, W. C. 2,
August 11, 1931.

Copy to: Mr. J. T. Mason, Nitrate Division, Purchasing Dept., Foreign Relations Dept.

Nitrogen.

Mr. F. W. Wardenburg,
President Du Pont Ammonia Corporation,
Wilmington, Del.

We had a further conversation with Mr. Speyer, of I. C. I., and obtained some additional information on the recent nitrogen conferences. The Brussels conference finally broke down, due to the attitude of the French. The Germans were not able to agree to the economic and political demands made, and the breach is so wide that there is very little chance of further conferences, at least for six or nine months.

The press reports did not state that I.C.I. were attending this conference I.C.I. informed us that they purposely did not attend, mainly because they believed very little could be accomplished. In addition, they anticipated that the French would make impossible demands and by not attending they provided the opportunity for the Germans to delay proceedings if necessary for conferences with I. C. I. The Chileans, of course, were not in attendance, and as there is no agreement between the synthetic producers, there is no possibility of any agreement with the Chileans.

The sulphate market is reported to be very weak, and prices are being quoted in Holland by Dutch producers of £4.— per ton at works. This is equivalent to $23.— c.i.f. United States. I.C.I. have just announced a price of £16.10— per ton for sulphate delivered any railway station in England. This price is reported to be just a feeler, and they are willing to quote lower prices when any business is in sight.

The Chileans are still very quiet. Their recent price announcment is about on the same scale as last year's. The price for England is reported at present to be £8.17.—., at which figure they can expect no sales. It is rumored that they are shortly to announce a new price about 30/— per ton lower than that given above, but even this reduction will not be sufficient to stimulate business.

Mr. Ewing had an opportunity to discuss nitrogen with Dr. Weber-Andreae of the I. G. while in Germany last week. Mr. Andreae reports that it is absolutely impossible to come to an agreement, and it will now be a fight to a finish. The I. G. is reported to be prepared for this, but they do not know how low prices are likely to go.

We will try and give you additional information as it is obtained. At present everyone seems to be waiting for the other fellow, and no one has a definite price program. These conditions are expected to last for several weeks, with constantly falling prices. At present no one is willing to forecast just how low prices may go.

(S) Henry E. Ford.

HEF: MH

("Exhibit No. 1097" appears in text on p. 2811.)

Exhibit No. 1098

[Du Pont—Russia. Copies to F. A. Wardenburg, gen. mgr., Ammonia Department; W. J. Beadle, asst. dir., Development Dept.]

January 23, 1934.

Russia—Possible sale of nitrogen information.

F. W. Pickard, *Vice President.*

J. Thompson Brown, *Vice President.*

In connection with Mr. Wardenburg's report to the executive committee, January 22nd, asking for instructions in the event the representatives of the Russian Nitrogen Trust (who are visiting Belle this week) are interested in purchasing our process, the following summary of previous relationship with the Russian Government, relative to sale of processes, may be of interest:

In May 1929 contract for sale of our ammonia oxidation process to Chimstroy (which is the Russian Chemical Trust) was consummated through the Amtorg Trading Corporation, New York. Under this contract two plants were constructed under the supervision of du Pont engineers, who were sent to Russia. Payments, amounting to $50,000, were made promptly. Exchange of information provision in the contract expires May 1934.

On July 22, 1929, the Development Department submitted a report to the executive committee, stating that Amtorg had applied for our lithopone information. The executive committee authorized them to discuss this matter further with Amtorg and the New Jersey Zinc Co. The files of neither the Foreign Relations Department, the Development Department, nor the executive committee are clear as to the final disposition of this matter. Presumably the Russians were not interested in paying the amount asked.

On August 2, 1929, Mr. F. W. Pickard submitted a report to the executive committee on Russian Government business and the committee passed the following resolution:

"The Amtorg Trading Corporation should be advised that the Du Pont Company does not care to enter into any general agreement for the supply of information, advice, plans, construction, or processes for use in Russia, nor to undertake any construction involving financing of commercial projects in Russia.

"The Du Pont Company is willing and glad to negotiate for the sale of any goods to the Amtorg Trading Corporation for export to Russia, each order to be considered independently.

"There is also no objection to the outright sale of plans or processes, provided in each case the fee to be received by the Du Pont Company appears adequate and the receipt thereof assured.

"In carrying out this policy, we shall be governed by the proposed I. C. I. agreement."

On April 2, 1930, the executive committee authorized the Development Department to continue negotiations with Amtorg relative to the sale of dyestuffs, rubber chemical, and Duco information, subject to consultation with I. C. I. It developed that I. C. I. had also been approached by Arcos (the London office of the Russian Foreign Trade Organization) for information on dyestuffs. It was finally decided that I. C. I. would withdraw from the negotiations but would receive 15 percent of the fee paid by the Russian Government to us for our information. This offer was made to compensate I. C. I. for their information, in our possession, which would be passed along to the Russians. At a meeting with Lord Melchett and Sir Harry McGowan, in New York, August 1930, it developed that I. C. I. were strongly opposed to the sale of technical information to Russia. At executive committee meeting, September 17, 1930, it was resolved that the Du Pont Company was not justified in continuing its negotiations with Russia for the sale of its information on dyestuffs. Negotiations in connection with the sale of Duco information were to be continued.

There is no record in our files as to the final outcome of the Duco negotiations but we presume that they were dropped after resolution of the board of directors, October 1930, that the Du Pont Company at this time should not enter any arrangement in the nature of a partnership with the Russian Government.

On March 19, 1931, the executive committee informed the Development Department that the methanol process should not be sold to Amtorg.

As pointed out above, we recognized an obligation to keep I. C. I. informed of our negotiations with respect to dyestuffs and their feeling in the matter was a considerable factor in our decision to drop negotiations. We did not recognize any obligation to them in the case of Duco (in which industry their license territory is limited to the British Empire) or lithopone (in which industry they are not engaged).

During the course of the dyestuffs negotiations, the executive committee decided not to inform the I. G. that the negotiations were being carried on. After we withdrew from them, London office was instructed to telephone the information to Dr. Von Schnitzler. Due to a misunderstanding, the London office telegraphed the information, thus making it a matter of formal record.

I am not able to locate the information in our files but it is my recollection that Dr. Bosch informed Mr. Pickard or some other official of the company, some years ago, that the Russians had used an offer received from us to force the I. G.'s hand at the time they made a deal on dyestuffs with the Russians in about 1926.

Mr. Pickard informed the I. G. that we had refused to sell the Russians information on methanol and this was acknowledged, with thanks, by Dr. Gaus.

Following are the prices at which we offered our information:

Dyestuffs and rubber chemicals	$3,000,000
Lacquer	1,000,000

20 percent on signing the agreement; 60 percent in installments as complete information would be given to the Russian representatives, probably within 6-months' time; and the balance of 20 percent 21 months after the last information had been submitted.

The Russian representatives objected to the amount and short term of payment. It was subsequently proposed to extend the terms to cover a 3-year period.

Lithopone	$75,000

to be paid in installments, the final installment to be paid 3 months after plant is in operation. It was proposed to charge an additional royalty of $4.00 per metric ton[1] in return for which Du Pont would act in a consulting capacity and give them the benefit of new developments.

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[1] Installed capacity.

Foreign Relations Department,
J. K. Jenny, *Asst. Director.*

JKJ:C.

Exhibit No. 1099

[Nitrogen. Strictly confidential. Copy to Mr. W. R. Swint, London office]

Bush House,
Aldwych, W. C., 2, July 19, 1932.

Nitrogen convention—England.

Mr. F. A. Wardenburg,
General Manager Ammonia Department:

In our cable of July 12 we advised you that the nitrogen meeting which had been in progress in Paris had been transferred to England, and that we would report any progress. Up until this morning there had been no apparent progress in reports received from I. C. I., but late last night an agreement was reached among the synthetic producers. A new Convention International de l'Azote was formed, including all the synthetic producers of Europe. The convention was really brought about by the D. E. N. group, or, in other words, Germany, England, and Norway, but as yet the Chileans have not been included. It is the earnest desire of the synthetic manufacturers to have them come in, but Mr. Welpley, president of Cosach, has not been able to agree on quota. He is in constant cable communication with Chile, and at the present stage of the negotiations, there is an equal chance that an agreement will or will not be reached with the Chileans.

The synthetic producers agreed in principle that the home market should be maintained insofar as it is possible for the home producers, and, in this connection, France was the most difficult market with which to deal. The export is divided by percentage quota, which is based closely on the export ratio of the D. E. N. group, from whose figures portions have been allotted to the smaller producers. The members of the C. I. A., as given to me today by Mr. Akers, are, in addition to Norwegian, German, and English producers, those of Holland, Czechoslovakia, Italy, Belgium, and Switzerland, together with Mekog and the State mines of Holland. All of these have a percentage quota in the new C. I. A., but Schluskill and the Poles have been given specific tonnages.

Quite apart from the C. I. A. agreement, the D. E. N. group have bought off completely Ressaix Laval, which is the Belgian plant under construction, and which will not be completed, and have also paid to the Schluskill owners an amount for closing down a fair portion of the Schluskill plant. Mr. Akers estimates that in effect not more than one unit will operate after the agreement is finally concluded.

Regarding the United States, the synthetic producers have sold forward already for this year 175,000 tons, but from the date of the agreement onward export sales to the U. S. will be regulated through the C. I. A. Mr. Akers contends that the C. I. A. will not ship into the U. S. any more than the market can easily absorb and explains that in these times, when steel production is low and byproduct ammonia is light in quantity, sales may probably be heavier than when an improvement in steel production is apparent. At any rate, the sales for the U. S. will now be regulated through C. I. A. instead of being handled by each individual producer.

It is the feeling of the members of the new cartel that if Chile comes into the fold, there still remain three producers to be dealt with, namely, Trail in western Canada, NACCO, and the Japanese. With the inclusion of these there will be a world-wide nitrogen cartel, which with the most difficult situation in Europe straightened out should proceed in a successful fashion.

All of this information was given to me in a strictly confidential fashion by Mr. Akers, who stated that not any of it had been released excepting certain phases which had been sold by the French delegation to the French press.

In connection with the sale of certain of our information to the Japanese, I am wondering if our position is perfectly clear to I. C. I. Naturally, I have no reason to raise the question here.

Attached is confirmation of cablegram sent you today.

Homer H. Ewing.

HHE/AAD.
Enc., copy cable sent today.

EXHIBIT No. 1100

[Triparty agreement. Nitrogen]

(Imperial Chemical Industries, Limited, from the chairman, Sir Harry McGowan, K. B. E.)

MILLBANK, LONDON, S. W. I.,
10th May 1933.

Synthetic nitrogen—exchange of information with I. G.

LAMMOT DU PONT, Esq.,
E. I. du Pont de Nemours, Inc.,
Wilmington, Del., U. S. A.

MY DEAR LAMMOT: As a result of our agreement with the International Hydrogenation Patents Company and our cooperation with the I. G. to put forward a joint scheme for a nitrogen plant in China, we find ourselves in rather a curious position vis-à-vis the I. G., and I would like to ask you if you would consider if we cannot simplify this.

As you know, the hydrogenation agreement requires the I. G. and ourselves to pass to I. H. P. our information on the manufacture of hydrogen. This knowledge is available to licensees of I. H. P. for the strictly limited field of hydrogenation of coal and oil.

In actual practice, as I. H. P. has no effective technical department, and as we are interested in hydrogenation as possible licensees of I. H. P., we exchange information within the scope of this agreement directly with I. G.—and not through I. H. P. So far, both I. G. and ourselves are quite satisfied that no improper use has been made of this hydrogen information by either party, and this is simplified by the fact that we have both restricted the knowledge of this information to personnel interested solely in hydrogenation.

If we should decide to build a hydrogenation plant, and you will remember that in my speech to the I. C. I. shareholders I expressed a strong hope that our Government would so modify its fiscal regulations in regard to new industries as to make this possible, we should erect the factory at Billingham, making our present hydrogen plant common to both ammonia synthesis and hydrogenation.

We have for some time been considering the advisability of introducing the principle of the removal of sulphur from the gases before these enter the hydrogen catalysis plant, and if we should decide to go ahead with hydrogenation, we should most certainly adopt this step, as it will give us a small increase in the output of the hydrogen plant, of which we shall be in need. I do not think that we have anything to learn from the I. G. on this question of sulphur removal, but if we were considering the position solely from the point of view of hydrogenation we should naturally investigate the experience of the I. G. in this process.

You will understand now that our position is a litttle difficult, because if we proceed to introduce sulphur removal into our hydrogen plant, after a discussion by our hydrogenation staff with I. G., they would be in a position to maintain that we had made use of information which we had obtained from them not only within the hydrogenation field but also in connection with our ammonia manufacture.

Apart from the complication arising through hydrogenation, a somewhat similar position confronts us in connection with the joint plan between the I. G. and ourselves with regard to the nitrogen plant for China. In order that we should be satisfied that any scheme we put forward for a nitrogen plant in that country should represent the most efficient plant which can be designed, making use of the knowledge which we both possess, we agreed with the I. G. that two members of our staff should cooperate with two members of theirs to draw up the plans. Although they did not discuss minor details of the design, it was clearly necessary for them to discuss with each other the general principles of the plant. Here again we are both satisfied that the exchange of information has been limited to its use for the design of this plant, as the technicians on each side have not passed on the information to their colleagues.

The position, very naturally, is rather delicate and would become more so if we were actually proceeding with the erection of this Chinese plant.

From the foregoing you will appreciate that a complete simplication of the position could be obtained if we were free to exchange with the I. G. information on the whole of our nitrogen plant. Obviously, of course, however, we cannot consider this without your agreement.

I think that this general scheme is one which will require very careful consideration and I would like to leave it over for discussion when we next meet.

The limited question of hydrogen information is, however, a more pressing one in view of our interest in hydrogenation, so that I am writing today to ask if you can see your way to allow us to exchange information with the I. G. on the manufacture of hydrogen up to the point where it leaves the hydrogen catalysis plant.

You will understand, of course, that we have not discussed this with the I. G. as, clearly, we must obtain your consent first. I think, however, that the I. G. would raise no objection as I am sure that they feel the present position as much as we do.

Yours sincerely,

(Sd) H. McGowan.

Exhibit No. 1101

Notes on Chart A—Exhibit No. 1103.

INTERNATIONAL RELATIONS ON IMMEDIATE OR CONVERTIBLE WAR MATERIALS OR PROCESSES

Line code:

Continuous line=Financial arrangements for sales and/or part ownership or prices or territory.

Dotted line=Interchange or sale of chemical or other patent information on immediate or convertible war materials or processes.

Notes on Chart B—Exhibit No. 1102.

INTERNATIONAL RELATIONS IN CHEMICALS

Continuous line=Financial arrangements for sales and/or part ownership or prices or territory.

Dotted line=Interchange or sale of chemical or other patent information.

Evidence folder on Exhibits 1102 and 1103

UNITED STATES TO OTHER NATIONS AND INTRA-UNITED STATES—Continued

	Subject	Lines	Source of information	Our exhibit no.
1. Du Pont–I.C.I. (English)	Agreement on patents and processes; calcium chloride; oxidation of ammonia and nitric acid; hexil.	Dotted military	[1] FR Jenny to Felix du Pont 8/12/30 FR File C 21-A—Cable from Sparre 8/17/29 FR File agreement dated 1929 FR Fin Sparre to J. E. Crane 9/17/24 FR J. E. Crane to Fin Sparre 8/20/24 FR Jenny to A. Felix du Pont 8/12/30 FR F. A. Akers to Crane 11/30/33 FR Taylor to Casey MS80A 8/26/27	
2. R. &. H. Chemical Co. (du Pont) to Deutsche Gold und Silber Scheideanstalt.	Exchange of information on general chemicals.	Dotted	FR File—Pickard to E. H. Killheffer 5/4/32	
3. R. &. H. Chemical Co. (du Pont) to Deutsche Gold und Silber Scheideanstalt.	Cyanide, etc	Solid military	FR File—Pickard to Killheffer 5/4/32 FR Letter from Zimmerli to R & H 9/17/34—Gas Masks.	
4. E.I.L. to du Pont to I.C.I. (English)	Sales agreement	Solid	FR H. H. Ewing to J. W. McCoy 11/21/32 [2] SP also Kimball to Singer 7/9/29	
5. E.I.L. to Bofors (Sweden)	Sales agreement	Solid	FR H. H. Ewing to J. W. McCoy 11/21/32	
6. Remington to I.C.I. (British)	Remington, Agreement	Solid military Military	FR Letter Jenny to Ewing 7/25/33 Memo—Remington 8/6/33, 8/16/33	
7. Remington to Vickers (British)	Remington, Ltd	Solid military	FR Letter Jenney to Ewing 7/25/33	
8. Remington to D.A.G. (German)	Priming in bullets	Solid military	P. 3 Memo—Remington 8/16/33 Remington Report to Jenney 6/18/34 p. 3 and 4	
9. Remington to D. A.G.(German)	General information	Dotted	P. 3 Memo—Remington 8/16/33	
10. Du Pont to Lurgi (German) to U.C.B. (Belgian).	Nitric acid and ammonia oxidation	Dotted military	FR Ewing to Swint 9/6/33 FR Akers to Crane 11/30/33 FR Chickering to Ford (D.D.) 10/30/33 FR Swint to Young, I.C.I. 11/3/33	
11. Du Pont to Schneider (French)	Business arrangements	Dotted military	SP Taylor to Casey 11/8/23 and 11/28/23 SP Felix du Pont to Casey 5/7/24	
12. Colt to Fabrique National of Liege (Belgium)	Sales agreement—military	Solid military	Memo 47-H by C. I. B. Henning 5/26/24 Report from Henning 99-H 11/4/24	
13. Colt to Armstrong (English)	Sales agreement—military	Solid military	Memo 47-H by C. I. B. Henning 5/26/24 Report from Henning 99-H 11/4/24	
14. Du Pont to Export Corp. to Jefferson Lake Oil Co. to I.C.I. (English).	Sulphur situation	Dotted military	FR Ford to La Motte 10/24/33; also M S80-A Casey to Taylor—list of warfare materials.	
15. Du Pont—I.C.I. (English)	Interchange of chemical patents and processes.	Dotted	Agreement, 1929	
16. Du Pont —NorskHydro (Norway)	Matter of sales	Solid military	FR Sparre to Crane 12/19/27 FR W. S. Carpenter to Norsk 8/2/28	
17. Du Pont to C.S.A.E. (South America) to I.C.I. (English) to Atlas (U.S.).	Sales	Solid	FR J. Thompson Brown to Du Pont 10/14/25	

[1] FR—Foreign Relations Department file, du Pont Company.

[2] SP—Smokeless Powder Department file, du Pont Company.

Evidence folder on Exhibits 1102 and 1103—Continued

UNITED STATES TO OTHER NATIONS AND INTRA-UNITED STATES—Continued

	Subject	Lines	Source of information	Our exhibit no.
18. Du Pont and Hercules and I.G. (German) to Mexican Explosives.	Ownership	Solid	I. G. chart	
19. Standard Oil Co. of N.J. to I.G. (German)	Exchange of information	Dotted	I.G. Chart	
20. Du Pont to Remington to D.A.G. (German) to (French manufacturers).	Sales	Solid	FR I.G. Explosives file 1933	
21. Du Pont to L'Air Liquide (French)	Ethylene (mustard gas)	Dotted military	FR L'Air Liquide to du Pont 12/28/33	
22. Remington to Societe Central Dynamit (French) to D.A.G. (German).	Sales	Solid military	FR L'Air Liquide to du Pont 12/28/33	
23. Remington to I.C.I. (English)	Interchange of information	Dotted	Remington 8/16/33	
24. General Motors to I.C.I. (English)	Ownership	Solid	Swint to Crane 12/17/28	
25. Chase Securities Co. to I.C.I. (English)	Financial	Solid	I.C.I. Chart 1929	
26. Du Pont to Rhone Poulenc (French)	Chemical agreement	Dotted	Kupperian to Ewing 9/5/34	
27. Du Pont to I.C.I. to Duperial (Argeutine)	Sales	Solid military	FR Jenney to Hanley 8/31/34	
28. Du Pont to Montecatini (Italy)	Chemical interchange	Dotted	FR Report of European Office 4/25/34	
29. Du Pont to Groupe Gillet (France)	Ownership	Solid	FR Jenney to Donaldson Brown 3/6/34	
30. Du Pont to Societe Chemique de la Grande Paroisse (French).	Ownership	Solid	Report of Robertson (stockholders Relations Com.) 1/10/34.	
31. Du Pont to Hydrierwerke (German)	Chemical interchange	Dotted	Du Pont agreement table 10/30/31; 10/4/32; 9/12/32	
32. Du Pont to H.I.H. Siderius (Holland)	Sales—Military powders	Solid military	SP H.I.H. to Van Veen 2/19/31 SP Taylor to Casey 4/9/29	
33. Du Pont to E.I.L. (South America)	Exchange of Chemical information	Dotted	Du Pont relations with I.C.I. 1/2/31	
34. Remington to du Pont to D.A.G. to French manufacturers.	Price fixing on centerfire cartridges	Solid military		555
35. Du Pont to Coswig (Germany)	Limitation of sales	Solid		513
36. Du Pont to Canadian Industries, Ltd., to I.C.I. (English).	Interchange of chemical information	Solid	I.G. chart—Licensing agreement 1/21/26	
37. Du Pont to Canadian Industries, Ltd., to I.C.I. (English).	Interchange of chemical information	Dotted	Licensing agreement 1/21/26	
38. Du Pont to C.I.B.A. (Swiss)	Sodium (Chlorine) sales	Solid military	FR Cable to London for Rykenboer 8/24/34 FR Letter to Ewing, London 8/27/34	
39. Du Pont to Lurgi (German)	Sulphuric acid—interchange	Dotted military	London Office report 6/25/34	
40. Electric Boat to Vickers (English)	Interchange of Patents	Dotted military	Electric Boat Exhibit # 12	12
41. Electric Boat to Vickers (English)	Sales Agreement	Solid	Electric Boat Exhibit # 12	12
42. Electric Boat to Schelde (Holland)	Sales	Solid military	Electric Boat Exhibit # 150	150
43. Electric Boat to Constructura Naval Espanol (Spain).	Sales	Solid military	Electric Boat Exhibit # 812	812
44. Electric Boat to Constructura Naval Espanol (Spain).	Exchange of Patents	Dotted military	Electric Boat Exhibit # 812	812
45. Electric Boat to Cockerill (Belgium)	Agreement	Solid military	Electric Boat Exhibit # 145	145
46. Du Pont to I.C.I	Sales agreement	Solid military	FR File—Agreement	

FRANCE TO OTHER NATIONS AND INTRA-FRENCH

103. Rhone-Poulenc and du Pont	Agreement on Cellulose Acetate	Solid military	FR J. A. Burckel to F. Sparre 1/5/34 FR J. E. Kupperian to H. Ewing 9/5/34	
104. Schneider to Bofors to Vicker to Armstrong (English).	Common agreement	Solid military	MS-80A Taylor to Casey 2/18/28 Report from Henning 99-H 11/4/24	
105. Nobel Avigliani to Societe Central Dynamit (French).	Ownership	Solid military	FR Taylor to Casey 4/21/25	
107. Comptoir to du Pont	Chemical interchange	Dotted	FR Crane to Irénée du Pont 2/9/26	
106. Comptoir to I.G. (German)	Chemical interchange	Dotted	FR Chart of I.G	
108. Societe Central Dynamit to Societe Czecho-Slovak D (Explosives).	Ownership	Solid	French chart	
109. Comptoir to Group Gillet (French)	Ownership	Solid	French chart	
110. St. Gobain to Societe Chemique de la Grande Paroisse (French).	Ownership	Solid	French chart	
111. L'Air Liquide to Societe Chemique de la Grande Paroisse (French).	Ownership	Solid	French chart	
112. Kuhlman to Societe Electro Chimi (French)	Ownership	Solid	French chart	
113. Hotchkiss to Hirtenberg (Austria)	Guns and ammunition—sales	Solid military	SP Taylor to Pickard 12/27/33	
114. Hotchkiss to Fabrique National (Belgium)	Guns and ammunition—sales	Solid military	SP Taylor to Pickard 12/27/33	

ENGLAND TO OTHER NATIONS AND INTRA-ENGLAND

201. I.C.I. and Vickers (English)	Vickers uses I.C.I. powder	Solid military	Smokeless powder—Taylor to Casey, July 1930	
202. I.C.I. to Solvay and Co. (Belgium)	Chlorine	Solid military	FR Ewing to Swint 3/23/32	
203. Kynochs (I.C.I.) to Hotchkiss (French) to Ste. Francaise des Munitions, Hanurhin and Cartoucheries Francaise.	Powder	Solid military	SP Taylor to Casey 4/9/26 SP Taylor to Pickard 12/27/33	
204. Vickers to D. A. G. to First Roumanian Expl. Co.	Part ownership of powder factory	Solid military	SP Casey to Felix duPont 4/24/24	
205. Vickers to Societe Central Dynamit (French) to Vickers-Terni (Italy).	Sales arrangement	Solid military	SP Taylor to Casey 4/22/25	
206. Vickers-Armstrong to Capsa—Mica and Cugar (Roumania) to Skoda (Czecho-Slovakia).	Ownership	Solid military	SP Short to Taylor 11/2/28	
208. I.C.I. to United Alkali (English)	Oxidation of Ammonia	Dotted	FR Crane to Sparre 8/20/24	
209. I.C.I. to Austrian Nobel (Unfinished)	Sales—ownership	Solid	FR Crane to Haskell 6/17/23	
210. I.C.I. to Allied Chemical (U.S.)	Financial	Solid	French chart	
211. I.C.I. to I.G. (German)	Interchange of information	Dotted military	FR Memorandum 9/11/33	
212. I.C.I. to I.G. (German)	Nitric acid	Dotted military	FR Memorandum 9/11/33	
213. I.C.I. to Belgian Explosives Group	Ownership	Solid	I.C.I. chart 1929	
214. I.C.I. to Belgian Explosives Group	Agreements	Dotted	I.C.I. chart 1929	
215. I.C.I. to Societe Franciase Dynamit (French)	Agreements	Dotted	I.C.I. chart 1929	
216. I.C.I. to Cartoucherie Francaise	Agreements	Dotted	I.C.I. chart 1929	
217. I.C.I. to Cartoucherie Francaise	Agreements	Solid	I.C.I. chart 1929	
218. I.C.I. to Hungarian Explosives Co	Agreements	Solid	I.C.I. chart 1929	
219. I.C.I. to Norsk Sprengstoff (Norway)	Interchange of chemical information	Dotted	I.C.I. chart 1929	
220. I.C.I. to Roumania Explosives Co	Ownership	Solid	I.C.I. chart 1929	
221. I.C.I. to Union Espanola des Explosivos (Spanish).	Interchange of information	Dotted	I.C.I. chart 1929	

Evidence folder on Exhibits 1102 nnd 1103—Continued

ENGLAND TO OTHER NATIONS AND INTRA-ENFEAND—Continued

	Subject	Colors	Source of information	Our exhibit no.
222. I.C.I. to Comptoir Francaise d'Azote (French)	Sales agreement	Solid	I.C.I. chart 1929	
223. I.C.I. to Montecatini (Italy)	Sales	Solid	I.C.I. chart 1929	
224. I.C.I. to Solvay (Belgium)	Chemical interchange	Dotted	FR Ewing to Swint 1/28/32	
225. I.C.I. to E.I.L. (South America)	Exchange of chemical information	Dotted	Report on duPont relations with I.C.I. 1/2/31	
226. I.C.I. to Coswig (German)	Limitation of sales	Solid		513
227. I.C.I. to Union Espanola des Explosivos	Interchange of information	Dotted military		484
228. I.C.I. to Orbea to D.A.G. (German)	Sales arrangement	Solid	FR August 24/34	
229. I.C.I. to I.G. (German)	Ownership	Solid	FR Pickard to Carpenter 3/24/29 (in Carpenter's file).	
230. I.C.I. to Belgium Explosives Syndicate	Sales—military	Solid military	SP Taylor to Casey 5/4/34	
231. Vickers to Recita (Roumania)	Guns—sales	Solid military	SP Taylor to Casey 4/7/33	
232. I.C.I. to Czecho-Slovak Explosives, Ltd	Investment	Solid		461
233. I.C.I. to Barbier Group Explosives	Abstention arrangement	Solid		461
234. I.C.I. to Poudreries Reunies	Sales arrangement	Solid		461
235. I.C.I. to Societe Anon. de Dynamite de Matagne.	Sales arrangement	Solid		461
236. I.C.I. to Societe Anon. de la Poudrerie de Carnelle.	Abstention agreement	Solid		461
237. I.C.I. to Societe Belge de la Dynamite Nobel	Abstention agreement	Solid		461
238. I.C.I. to Casale Ammonia Co	Interchange of information	Dotted		461
239. I.C.I. to Societe Centrale de Dynamite	Abstention arrangement	Solid		461
240. I.C.I. to Etablissment Kuhlmann	Abstention arrangement	Solid		461
241. I.C.I. to Westfalisch Anhaltische Sprengstoff A.G.	Sales arrangement	Solid		461
242. I.C.I. to Poudrerie Royale de Wetteren Cooppall.	Sales arrangement	Solid		461
243. I.C.I. to Rheinisch Westfalische Sprengstoff A.G.	Sales arrangement	Solid		461
244. I.C.I. to Norsk Spraengstofindustri Akieselskab.	Abstention arrangement	Solid		461
245. I.C.I. to Durant & Huguenin	Dye production agreement	Solid		461

GERMANY TO OTHER NATIONS AND INTRA-GERMANY

	Subject	Colors	Source of information	Our exhibit no.
301. D.A.G. to Bofors (Sweden)	Sales agreement	Solid	FR H. H. Ewing to J. W. McCoy 11/21/32 FR Expl. Dept.—H. Lore to Laing 3/9/33	
302. Krupp (Rheinische Metall Waaren and Machinenfabrik) to Sweden Bofors to H.I.H. Siderius (Holland).	Army ordnance machinery	Solid military	FR Jenney to O'Gorman 5/19/30 FR Letter of Casey 7/14/33 SP Letter O'Gorman to Taylor 3/26/29	

304. U.C B. to Lurgi to du Pont	Nitric acid and ammonia oxidation	Dotted	FR Ewing to Swint 9/6/33 FR Chickering to Ford (D.D.) 10/30/33 FR Swint to Young I.C.I. 11/3/33	
305. I.G. to Gebruder Josefowitz (German)	Chemical connections	Dotted	FR Swezey to Dr. N. F. Zimmerli 12/14/33	
306. Koln Rottweil to Bofors (Swedish)	Chemical interchange	Dotted	FR Letter to Mitchell 10/31/24	
307. I.G. to Mexican Explosives	Sales agreement	Solid	I.G. chart	
308. I.G. to I.G. Chemie (Swiss)	Ownership	Solid	I.G. chart FR Ewing to Swint 8/17/33	
309. I.G. to Casella Co. (German)	Ownership	Solid	I.G. chart	
310. I.G. to Reinische Stahlwerke (German)	Ownership	Solid	I.G. chart	
311. I.G. to Kuhlman (French)	Interchange of information	Dotted	I.G. chart	
312. I.G. to Montecatini (Italy)	Interchange of information	Dotted	I.G. chart	
313. I.G. to Durand and Huguenin to Kuhlmann (French)	Ownership	Solid	I.G. chart Kimball to FR Committee 2/21/29	
314. I.G. to General Analine Co. (U.S.)	Ownership	Solid	I.G. chart	
315. I.G. to Skoda (Czecho-Slovak)	Sales	Solid	I.G. chart	
316. I.G. to Electro Chemica de Flix (Spain)	Ownership	Solid	I.G. chart	
317. I.G. to Nitrolac Co. (France)	Ownership	Solid	I.G. chart	
318. I.G. to British Breda	Ownership—rayon	Solid	I G. chart	
319. I.G. to Agfa Ansco of U.S	Film ownership	Solid	I.G. chart	
320. I.G. to Drugs, Inc. (U.S.)	Sales agreement	Solid	I.G. chart	
321. I.G. to National Lead Co. (U.S.)	Ownership	Solid	I.G. chart	
322. I.G. to Montecatini (Italy)	Ownership	Solid	I.G. chart	
323. I.G. to Winthrop to du Pont (U.S.)	Ownership	Solid	I.G. chart	
324 I.G. to Rheinmettal (German)	Ownership	Solid	I.G. chart	
325. I.G. to Nederlandiche Celluloid (Holland)	Ownership	Solid	I.G. chart	
326. I.G. to Montecatini (Italy)	Financial	Solid	Jenney Memo 11/6/33	
327. I.G. to Germand Ford Co	Ownership	Solid	I. G. Farbenwerke Report 9/30/33	
328. D.A.G. to Oberschlesische Sprengstoff Actien (German).	Sales agreement	Solid	Memo of meeting at Hague 10/15/24	
329. D.A.G. to Czecho-Slovakian Explosives Co	Ownership	Solid	SP F. E. Short to Col. Taylor 6/15/28	
330. I.G. to O.N.I.A. (France)	Sales	Solid	FR Memo—Akers 7/7/34	
331. I.G. to O.N.I.A. (France)	Sales nitric acid—military	Solid military	FR memo—Akers 7/7/34	
332. D.G.S.S. to Montecatini (Italy)	Sales—cyanide—proxylin—proxylite (Italian War Ministry).	Solid military	FR Busemann (D.G.S.S.) to R. & H. (du Pont) 5/16/34.	
333. D.G.S.S. to Montecatini (Italy)	Interchange of proxylin, etc	Solid military	FR Busemann (D.G.S.S.) to R. &. H. (du Pont) 5/16/34.	
334. Reichsmetallware to Fabrique Nacional (Belgium).	Ownership	Solid military	FR Letter T-1460 to Casey 12/11/28	
335. Ruhr Chemie A. G. to Deutsche Hydrierwerke (German).	Ownership	Solid	FR Jenney to Crane 11/5/28	
336. Ruhr Chemie A.G. to Krupp (German)	Ownership	Solid	FR Jenney to Crane 11/5/28	
337. Vereingte Stahlwerke to Ruhr Chemie (German).	Ownership	Solid	FR Jenney to Crane 11/5/28	
338. Lurgi to Sweden	Chemical information—oxidation of ammonia.	Dotted military	FR Jenney to Taylor 11/18/29	
339. D.A.G. to Norsk Hydr^{o} (Norway)	Nitric acid and sulphuric acid sales	Solid military	FR Norsk Hydro to American Nitrogen 10/17/27	
340. I.G. to D.G.S.S. (German)	Chlorine, etc. (military)	Solid military	FR. R. & H. to Jenney 2/7/31	
341. I.G. to Coswig (German)	Limitation of sales	Solid		513
342. D.A.G. to C.S.A.E. (British & U.S.)	Sales arrangement	Solid	Agreement	

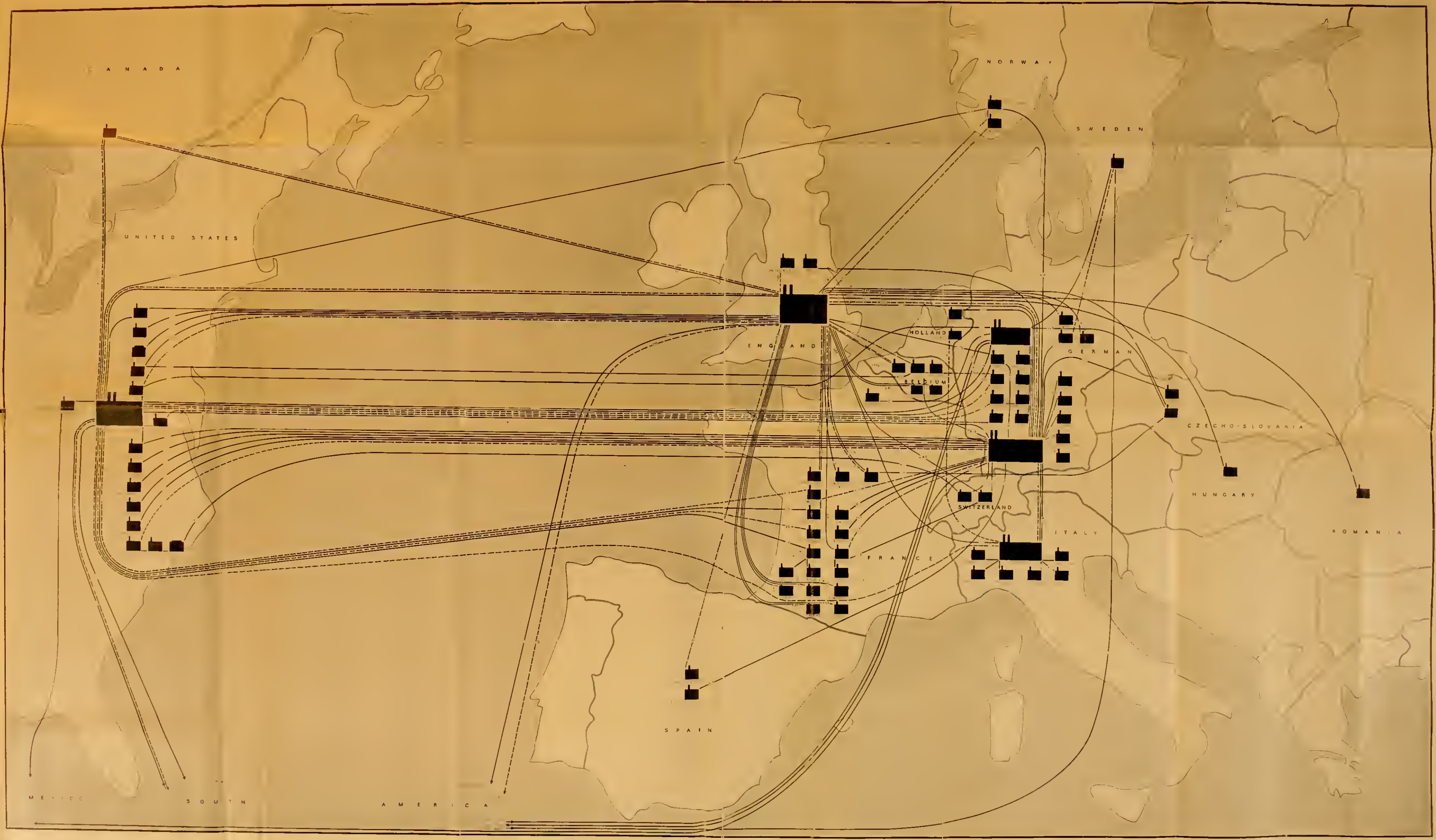
Evidence folder on Exhibits 1102 and 1103—Continued

OTHER NATIONS

	Subject	Colors	Source of information	Our exhibit no.
401. Montecatini to Schluskill (Holland)	Nitrogen financial control in Montecatini.	Dotted	FR Swint to Wardenberg 4/30/32	
403. Czecho-Slovak Expl. Ltd. to I.C.I. (English)	Ownership—military	Solid military	FR Taylor to Casey MS80-A 11/3/26	
401. Austrian Nobel to Bulgaria (company unknown).	Concession	Solid military	FR Crane to Haskell 6/17/23	
405. Norsk Hydro to D.A.G. (German)	Nitric and sulphuric acid	Dotted military	FR Norsk Hydro to American Nitrogen 10/17/27 I.G. chart.	
406. Norsk Hydro to I.G. to du Pont	Sales agreement acids and mixtures	Solid	FR Norsk Hydro to American Nitrogen 10/17/27 I.G. chart.	
407. Montecatini to Banca Commerciale (Italy)	Financial connection	Solid	FR McLean to U. S. Ambassador to Italy 4/25/27	
408. Montecatini to Prodotti Agotati (Italy)	Financial connection	Solid	FR McLean to U.S. Ambassador to Italy 4/25/27	
409. Montecatini to Prodotti Chimici (Italy)	Financial connection	Solid	FR McLean to U.S. Ambassador to Italy 4/25/27	
410. Montecatini to Concimi Chimici (Italy)	Financial connection	Solid	FR McLean to U.S. Ambassador to Italy 4/25/27	
411. Montecatini to Piemontese Ammoniaca (Italy)	Financial connection	Solid	FR McLean to U.S. Ambassador to Italy 4/25/27	
412. Montecatini to Credito Italiano (Italy)	Financial connection	Solid	FR McLean to U.S. Ambassador to Italy 4/25/27	
413. Belgian Solvay to I.G. (German)	Financial connection	Solid	FR Swint to Pickard 3/29/27	
414. Belgian Solvay to Allied Chemical (U.S.)	Financial connection	Solid	FR Swint to Pickard 3/29/27	
415. Austria Nobel to I.G. (German)	Sales and ownership	Solid military	FR chart of I.G	
			FR Letter Crane to Haskell 6/17/23	
416. Solvay to Union Chemique Belge	Ownership	Solid	French chart	
417. Norsk Hydro to France	General ownership	Solid military	FR Ewing to Wardenberg 10/10/33	
418. Czecho-Slovakia Explosives Ltd. to Skoda (Czecho-Slovak).	Sales and ownership—military	Solid military	Memo MS-80-A by Taylor 9/5/29	
419. Austria Nobel to Czecho-Slovakia Explosives Ltd.	Ownership	Solid military	FR Crane to Haskell 6/17/23	
420. Austria Nobel to Hungary Nobel	Ownership	Solid military	FR Crane to Haskell 6/17/23	
421. Hirtenberg to Pocisk (Poland)	Ownership	Solid military	FR Letter T-1460 to Casey 12/11/28	
422. Hirtenberg (Austria) to Dordrecht (Holland)	Ownership	Solid military	FR Letter T-1460 to Casey 12/11/28	
423. Soleure (Swiss) to Fabrique Nacional (Belgium).	Ownership	Solid military	FR Letter T-1460 to Casey 12/11/28	
424. Pocisk (Poland) to Soleure (Switzerland)	Ownership	Solid military	FR Letter T-1460 to Casey 12/11/28	
425. Norsk Hydro—Norsk Sprengstoff (Norway)	Ownership or control	Solid	FR Kimball to Jenney 10/23/29	
426. I.G. Chemie (Switzerland) to National City Company of New York to Ford Company to Standard Oil of New Jersey.	Financing	Solid	National City Company Adv. 1929 re $30,000,000 for American I.G. (Teagle, Chas. E. Mitchell, Edsel Ford, Paul M. Warburg on board).	
427. Belgium Explosives to Coopal (Belgium)	Sales—military	Solid	FR Taylor to Casey 5/4/34	

INTERNATIONAL RELATIONS IN CHEMICALS

Exhibit No. 1102


CANADA
NORWAY
SWEDEN
UNITED STATES
ENGLAND
HOLLAND
GERMANY
BELGIUM
CZECHO-SLOVAKIA
SWITZERLAND
HUNGARY
ITALY
ROMANIA
FRANCE
SPAIN
MEXICO
SOUTH AMERICA

CONTINUOUS LINE: FINANCIAL ARRANGEMENTS FOR SALES AND/OR PART OWNERSHIP OR PRICES OR TERRITORY.

DOTTED LINE: INTERCHANGE OR SALE OF CHEMICAL OR OTHER PATENT INFORMATION.

CHART "B"

Evidence folder on Exhibits 1102 and 1103—Continued

OTHER NATIONS

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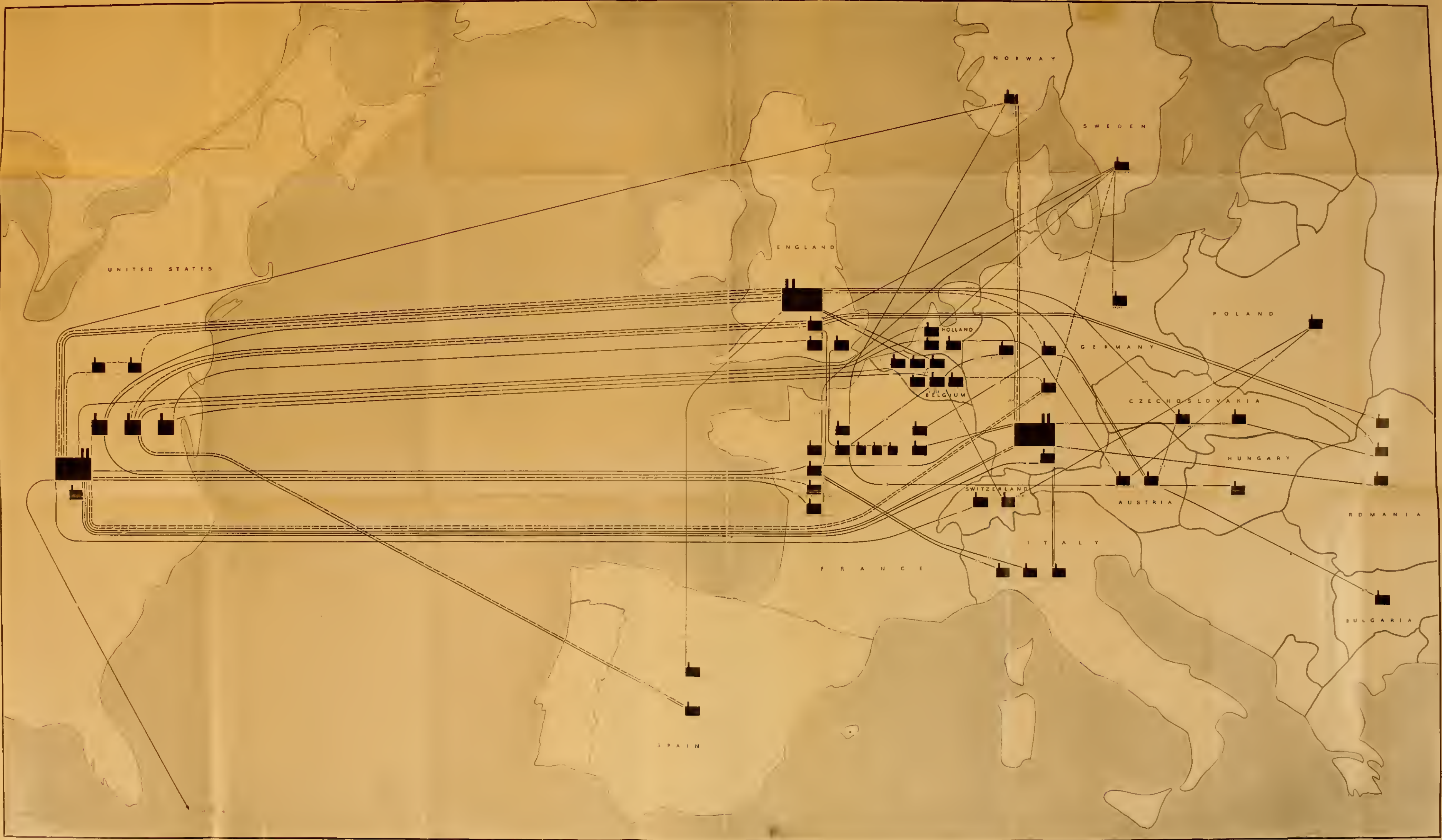
INTERNATIONAL RELATIONS IN WAR MATERIALS OR PROCESSES

EXHIBIT No. 1103


NORWAY
SWEDEN
ENGLAND
UNITED STATES
HOLLAND
BELGIUM
GERMANY
POLAND
CZECHOSLOVAKIA
HUNGARY
AUSTRIA
SWITZERLAND
ROMANIA
ITALY
FRANCE
BULGARIA
SPAIN

CONTINUOUS LINE: FINANCIAL ARRANGEMENTS FOR SALES AND/OR PART OWNERSHIP OR PRICES OR TERRITORY.

DOTTED LINE: INTERCHANGE OR SALE OF CHEMICAL OR OTHER PATENT INFORMATION ON IMMEDIATE OR CONVERTIBLE WAR MATERIALS OR PROCESSES.

CHART "A"

Evidence of [illegible] Exhibit [illegible]

Y3.4/.33A1

MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 13

DECEMBER 13, 1934

PROFITEERING, GOVERNMENT CONTRACTS AND EXPENDITURES DURING WORLD WAR

INCLUDING EARLY NEGOTIATIONS FOR
OLD HICKORY CONTRACT

Printed for the use of the
Special Committee Investigating the Munitions Industry

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

83876

MUNITIONS INDUSTRY

U.S. Congress. Senate,

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

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W. WARREN BARBOUR, New Jersey

STEPHEN RAUSHENBUSH, *Secretary*
ALGER HISS, *Legal Assistant*

CONTENTS[1]

Testimony of: Page

Brannon, Lt. E. M., first lieutenant, infantry, in the Judge Advocate General's Department 2903

Du Pont, Irénée, vice chairman of board of directors, E. I. du Pont de Nemours & Co 2914, 2917, 2926, 2928, 2936, 2949, 2952, 2955, 2959, 2963, 2966, 2969

Du Pont, Pierre S., chairman of board of directors, E. I. du Pont de Nemours & Co 2911, 2913, 2915, 2916, 2918, 2924, 2933, 2936, 2937, 2951, 2953, 2954, 2955, 2960, 2961, 2964, 2968

Eliason, J. Bayard, treasurer, E. I. du Pont de Nemours & Co 2912, 2915, 2927

Gregg, William S., attorney, E. I. du Pont de Nemours & Co 2915, 2936, 2954, 2960

Harris, Lt. Col. C. T., in the planning branch, Office of the Assistant Secretary of War 2903, 2905, 2919, 2921, 2929, 2931

Muir, R. F., committee investigator 2920

Rudd, John H., committee investigator 2930

Swint, W. R., director foreign-relations department, E. I. du Pont de Nemours & Co 2929

White, Edward, chief of statistical section of income tax unit of Bureau of Internal Revenue 2923, 2925

Appropriations and expenditures during World War 2903

Advances made to the du Pont Co. on war-time contracts 2911

War-time incomes of certain companies and individuals 2920

Price of certain raw materials, 1913 to 1919 2927

1916 and 1917 incomes and taxes of certain corporations 2930

Old Hickory contract:

Necessity for construction of Old Hickory powder plant 2931

Original negotiations between Ordnance Department and du Pont Co. for construction of Old Hickory 2946

Secretary of War Baker's order to suspend negotiations 2959

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[1] In cases of exhibits comprised of excerpts from the minutes of certain war-time civilian boards only such parts as were actually entered into in the hearings have been published in the appendix. At a later date the committee ordered to be printed separately as committee prints, the minutes of the following war-time agencies:

War Industries Board; Price Fixing Committee of the War Industries Board; Council of National Defense; Advisory Commission of the Council of National Defense; Munitions Standards Board; General Munitions Board.

INVESTIGATION OF MUNITIONS INDUSTRY

THURSDAY, DECEMBER 13, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10:30 a. m., in the Finance Committee room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), Barbour, Vandenberg, Pope, and Clark.

Present also: Alger Hiss, legal assistant to the committee.

At this point the committee concluded that part of the testimony which is incorporated in Part XII of these hearings, "Relationship of Munitions Makers to the Government and International Connections in the Chemical Industry."

The Chairman. The committee is unaware this morning whether there is anyone here to represent the Colts, the Remingtons, or the Winchesters, but if there are representatives here, we want them forward at this time. Also Mr. Pierre du Pont and Colonel Harris, please; or, Colonel Harris, if you have someone with you from the War Department who is prepared to discuss the matter we have on hand this morning, have him come forward also, please.

Lieutenant Colonel Harris. This session is profiteering?

The Chairman. That is right.

Lieutenant Colonel Harris. I have an officer with me who will discuss that phase of it.

The Chairman. Then, if you will, have that officer come forward, please.

Lieutenant Colonel Harris. Lieutenant Brannon.

Mr. Hiss. Colonel Harris, this is during the war period.

The Chairman. During the war period?

Lieutenant Colonel Harris. Yes.

Mr. Hiss. During the period of the World War.

TESTIMONY OF PIERRE DU PONT (RESUMED), LT. COL. C. T. HARRIS, AND LT. E. M. BRANNON

APPROPRIATIONS AND EXPENDITURES DURING WORLD WAR

(The latter two witnesses were duly sworn by the Chairman, Mr. du Pont having been previously sworn.)

The Chairman. Now, gentlemen, be seated, and if you will, please give the reporter your full name, Lieutenant Brannon, and your connection with the War Department, your title.

Lieutenant BRANNON. E. M. Brannon, first lieutenant, Infantry, with the Judge Advocate General's Department.

Senator VANDENBERG. What is your relationship with the War Department, Lieutenant?

Lieutenant BRANNON. I am on duty in the Planning Branch Office of the Assistant Secretary of War.

The CHAIRMAN. Colonel Harris, you might come down here and join the circle, if you wish, at this time.

Lieutenant Colonel HARRIS. I was just going to say, Mr. Chairman, if you are going to discuss the background, the relations or operations concerning the Old Hickory plant, I am familiar with that.

Mr. HISS. That will come later.

Lieutenant Colonel HARRIS. That will come later, you say?

Mr. HISS. Yes.

Senator VANDENBERG. I think perhaps you had better sit here, Colonel Harris. There might be some questions you might be able to help us on.

Lieutenant Colonel HARRIS. All right; I will just bring my papers up here.

Senator VANDENBERG. Colonel Harris, what is your connection with the Department?

Lieutenant Colonel HARRIS. I am director of the Planning Branch, Office of The Assistant Secretary of War.

Mr. HISS. Lieutenant Brannon, you are familiar, in a general way, with the total expenditures of the United States during the war? I have here a document which is in the form of a letter, and two attachments, which was introduced into the record on Tuesday of this week, December 11, as "Exhibits Nos. 1027, 1028, and 1029", respectively.[1] It is a letter signed by Herbert E. Gaston, Assistant to the Secretary of the Treasury Department, to the chairman of this committee, showing appropriations and expenditures by fiscal years for the period 1912 to 1934, inclusive, for the War and Navy Departments. There is only one copy of it, and we will both have to use that.

Lieutenant BRANNON. I have no figures on that.

Mr. HISS. I call your attention to the years 1917, 1918, and 1919. The total appropriations listed for the year 1917 for the War Department are $403,355,000, using round figures in giving these amounts; for 1918, $7,549,931,000; and for 1919, $15,459,728,000. Can you explain why there was such a large appropriation in 1919, after the war had ended, Lieutenant Brannon?

The CHAIRMAN. Before he answers that question, that was offered as an exhibit the other day, was it not?

Mr. HISS. That is correct, and so marked.

The CHAIRMAN. Have you referred to that as an exhibit?

Mr. HISS. I have read the exhibit numbers that were given to it on that day.

The CHAIRMAN. Very well.

Lieutenant Colonel HARRIS. Mr. Chairman, may we alternate in answering questions as seems best?

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[1] Hearings, Part XII, p. 2717.

The CHAIRMAN. Yes; most assuredly. That is what we would welcome having you do.

Lieutenant Colonel HARRIS. I understand. In attempting to answer that question I would say that the fiscal year of 1919 began on July 1, 1918, and in that period we were still in the war, so the appropriations for the fiscal year in 1919 were really for the latter part of the war.

Mr. HISS. These gross appropriations for the 3 years all represent, or, at least primarily are, war appropriations; is that correct?

Lieutenant Colonel HARRIS. The latter portion of the 1917 appropriations and all of the 1918 and all of the 1919 appropriations were for war purposes.

Mr. HISS. And you would say the majority of the 1917 appropriations?

Lieutenant Colonel HARRIS. I should say so; yes.

Mr. HISS. The total expenditures shown on this chart for the years 1917 through 1920, inclusive, of the War Department, are as follows:

For 1917, $462,238,000. I will not read the odd dollars in any case.

For 1918, $5,723,369,000.

For 1919—that is the fiscal year, I judge, as you explained it—$9,285,487,000.

For 1920, $1,109,599,000.

Why in the fiscal year of 1920, Colonel Harris, was the expenditure such a large one?

Lieutenant Colonel HARRIS. In the fiscal year 1920 they were still paying obligations incurred during the war and in the settlement of contracts.

Mr. HISS. So that all of these expenditures, or the majority of them, also must be considered as war appropriations?

Lieutenant Colonel HARRIS. Generally speaking; yes.

Mr. HISS. How long did the influence of the war contracts—that is, the settlement or the payment of war contracts, affect the expenditures of the War Department?

Lieutenant Colonel HARRIS. That is rather difficult to say definitely. I imagine even the fiscal year 1921 must have some of it.

Mr. HISS. As late as 1921?

Lieutenant Colonel HARRIS. You see, all of the contracts were canceled and adjustments were made by bodies examining these contracts, and the payments undoubtedly would go into the fiscal year 1921.

Mr. HISS. Colonel Harris or Lieutenant Brannon, whichever is familiar with this, I would like to identify a chart which I received from the War Department, headed "Relative Proportions of Expenditures of the Army Supply Branches During Nineteen Months of War Compared with Nineteen Months of 1922–23, Approximate", which was prepared in the office of The Assistant Secretary of War, Procurement Division, planning branch, in January 1923. Can you identify that?

Lieutenant BRANNON. Yes.

Mr. HISS. This shows that in 19 months of the war the Quartermaster's Department spent $6,242,745,000, whereas in 1922–23, a comparable period of 19 months, only $99,656,000 was spent, a ratio of 1 in peace time to 62 in war time.

Similarly, the Ordnance Department, which was the next largest in point of expenditures, spent during 19 months of the war $4,087,347,000, as compared to only $10,624,000 during 19 months of the period 1922–23. There the comparison was as 1 is to 384. The war-time expenditure was 384 times the peace-time picked as a fair period by the War Department.

For the Air Service the expenditures were $859,291,000 during the 19 months of the war, as compared to $20,108,000 during peace time. That is as 1 is to 42, or 42 times.

Of the total shown on this chart from all of the supply branches, namely, $12.356,000,000, it will be noted that the Quartermaster Corps has slightly more than half of that total expenditure, and that the Ordnance Department spent slightly less than a third of the total, the air service considerably less, but the three together constituting by far the bulk of the total money spent during the war.

Colonel Harris, will you kindly describe for the committee how the purchasing is done by the Army? Is all purchasing done by one purchasing group, or is it diversified?

Lieutenant Colonel HARRIS. The purchasing is done in time of peace by competitive bidding and is carried out by procurement organizations assigned to the supply branches. Approximately one-half of the Army appropriations, or slightly more than one-half, are normally spent by the Quartermaster Corps, which has to do with the feeding, housing, and clothing of the Army.

Mr. HISS. May I interrupt at that point, Colonel Harris? During the war who had charge of construction outside of the theater of operations?

Lieutenant Colonel HARRIS. The construction outside of the theater of operations was under the Construction Division, which was under the War Department.

Mr. HISS. Which of the procurement branches?

Lieutenant Colonel HARRIS. It started off under the Quartermaster Corps and afterward became separate as the Construction Division.

Mr. HISS. In this chart where do you think that expenditure will appear?

Lieutenant Colonel HARRIS. I would place that expenditure under the Quartermaster's appropriation.

Mr. HISS. I interrupted you, Colonel Harris. Please proceed.

Lieutenant Colonel HARRIS. Each of the supply branches has a procurement organization and procures the quantities and equipments that they issue. So that there is no centralized execution or procurement. There is, however, a centralized control of procurement through the supervision of the Assistant Secretary of War under the law.

Mr. HISS. If I have not offered this as an exhibit already, I would like to offer that as an exhibit with the appropriate number.

(The chart referred to was marked "Exhibit No. 1104", and is included in the appendix on p. 2974.)[1]

Senator VANDENBERG. Before you leave it, Colonel, is there any expenditure charted here as those of the Quartermaster Corps which would classify munitions of war in the accepted phrase?

Lieutenant Colonel HARRIS. The dictionary defines munitions of war as all material required by the Army, except men and money. Now, if you mean arms and equipment——

---

[1] Entered into further in Hearings, Part XV, p. 3627; Part XVII, p. 4169.

Senator VANDENBERG. That is what I mean.

Lieutenant Colonel HARRIS. Arms and equipment; the Quartermaster Corps supplies the leather and webbing elements of that equipment.

Senator VANDENBERG. Would it be a fair conclusion from this chart that war expenditures in a major proportion therefore are outside of the thing commonly called munitions?

Lieutenant Colonel HARRIS. I am afraid I did not understand your question, sir.

Senator VANDENBERG. Would it be unfair to conclude from this chart that more than half of the expenditures in a war operation are for commodities other than arms and armaments and the things commonly called "munitions"?

Lieutenant Colonel HARRIS. I think about half is a fair figure.

Mr. HISS. Colonel Harris, returning again to this chart, what kind of equipment is purchased by the Ordnance Department? This four billion expenditure during the 19 months of the war does not include payments made and settlements made after the armistice, or do you think it does? I am referring to this figure of four billion.

Lieutenant Colonel HARRIS. You see, I am not familiar with how this chart was prepared or what these figures are, but I would say that they do include the settlement of contracts.

Mr. HISS. That is the gross expenditures?

Lieutenant Colonel HARRIS. Yes. Although I am not prepared to say that there won't be any differences between the figures you read before and these figures, because I have not compared them.

Mr. HISS. There may be some changes and adjustments since 1923?

Lieutenant Colonel HARRIS. Exactly.

Mr. HISS. What type of equipment constitutes the bulk of the four billion purchase, roughly, during the World War?

Lieutenant Colonel HARRIS. Arms, ammunition, tanks, arms for aircraft, armaments, bombs. I think that answers your question. The great bulk is ammunition.

Senator VANDENBERG. Under what classification, for instance, were trucks?

Lieutenant Colonel HARRIS. Commercial trucks are procured by the Quartermaster's Corps. Special trucks and armored cars are procured by the Ordnance Department.

Mr. HISS. Colonel Harris, did you bring a copy of the photostat of the break-down of the ordnance expenditures which you sent me a few days ago? [1]

Lieutenant Colonel HARRIS. No.

Mr. HISS. I would like to introduce that into the record somewhat later as further amplification of that.

The CHAIRMAN. Would you like to have it appear at this juncture in the record?

Mr. HISS. Yes.

The CHAIRMAN. That may be done.

Mr. HISS. What proportion, Colonel Harris, would you say ammunition constituted of the four billion, roughly?

Lieutenant Colonel HARRIS. As a rough approximation, I should say 40 percent.

---

[1] The documents showing Ordnance expenditures were later marked "Exhibit Nos. 1105 and 1105-A" and are included in the appendix on pp. 2975 and 2976.

Mr. Hiss. And how much of that would be powder and how much other ingredients, in value? By powder I mean propellants and explosives, and so on.

Lieutenant Colonel Harris. To give you a correct answer, there would have to be an analysis made. I am only giving the approximation from my own knowledge of ordnance equipment.

Mr. Hiss. All right.

Lieutenant Colonel Harris. I should say that possibly 40 percent represents the cost of propellants and ammunition.

Mr. Hiss. And the explosives, all of the powder, and so on?

Lieutenant Colonel Harris. I should say in the neighborhood of 40 to 45 percent.

Mr. Hiss. So that 40 to 45 percent of the 40 percent of the four billion would give the powder and explosives cost, roughly?

Lieutenant Colonel Harris. That is an offhand estimate, which I am not responsible for, if you carry it into money later on, because it may not agree with something else.

Mr. Hiss. If you find later anything that causes you to change that estimate, or an official statement on it, will you please furnish that to the committee, Colonel? [1]

Lieutenant Colonel Harris. Yes.

Senator Vandenberg. Where would gas expenditures appear, Colonel?

Lieutenant Colonel Harris. Under "Chemical W. S."

Mr. Hiss. Under "Chemical W. S." It is a separate classification.

Senator Vandenberg. You say it is a separate classification?

Mr. Hiss. Yes. Of the ingredients other than power and propellants and the explosives, the primary raw materials going into ordnance, from the standpoint of value, are roughly what? They are in the metal field, are they not?

Lieutenant Colonel Harris. The remainder is in the metal field. The shell is a large portion. The fuze is a smaller portion. The brass cartridge case is a small portion. But all of the metal components make up the remainder of the cost of the ammunition.

Mr. Hiss. And primarily they are steel, copper, brass, nickel, tin?

Lieutenant Colonel Harris. Those elements go into it. They are not used in their native forms, of course.

Mr. Hiss. No. But they are the raw materials that go into the primary part of the other 60 percent of the ordnance purchases; is that correct?

Lieutenant Colonel Harris. That is correct.

Senator Vandenberg. Before you leave the chart, apparently from this chart the "Chemical W. S.", what does that stand for?

Lieutenant Colonel Harris. I don't know, sir.

Mr. Hiss. Chemical warfare, is it not?

Lieutenant Colonel Harris. The Chemical Warfare Service.

Senator Vandenberg. Chemical Warfare Service?

Lieutenant Colonel Harris. Yes.

Senator Vandenberg. According to this chart, that was the smallest of the subdivisions of expenditures in the World War.

Lieutenant Colonel Harris. Yes.

Senator Vandenberg. Just speaking abstractly, that would not be true today, would it?

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[1] For corrected estimate see footnote on p. 2916.

Lieutenant Colonel HARRIS. Under the set-up we have in the War Department it would still be true for this reason: That all of the gas shells, all of the elements of that round of ammunition, except the gas itself, is procured by the Ordnance Department. The Chemical Warfare Service procures the gas alone of all of the elements.

Senator VANDENBERG. Is that true of the expenditures charted here?

Lieutenant Colonel HARRIS. Yes; that is true.

Senator VANDENBERG. So that the classification of the Chemical W. S. would scarcely be a picture of the actual relative contribution of the chemical field to the war equipment?

Lieutenant Colonel HARRIS. It is a minor portion.

Mr. HISS. Mr. Chairman, I have just got a copy of the chart to which I referred before and which was marked "Exhibit No. 1105." I will ask the reporter to see that the record shows the sheet to which the chart is attached as 1105 and the chart as 1105–A, please.

(The sheet referred to was marked "Exhibit No. 1105", and the chart referred to was marked "Exhibit No. 1105–A", and are included in the appendix on pp. 2975 and 2976.)

Mr. HISS. This gives a break-down of ordnance expenditures according to major items as used by the War Department; is that correct?

Lieutenant Colonel HARRIS. That is correct.

Mr. HISS. How many of those items, Colonel Harris, were purchased by the Government during the war in the form in which they are there listed? For example, you will notice item no. 1, mountain, field, siege, and antiaircraft artillery. Did the Government during the war purchase mountain artillery in complete form, or did it assemble it itself?

Lieutenant Colonel HARRIS. I think every possible arrangement of procurement was used. In some cases we were able to get firms that were able to give the complete unit; others were not.

Mr. HISS. I see.

Lieutenant Colonel HARRIS. Some made part. Some made the whole.

Mr. HISS. I have here a memorandum listing certain gross wartime expenditures compiled from official sources, which I would like to file as an exhibit in the record.

The CHAIRMAN. That is ordered.

(The memorandum referred to was marked "Exhibit No. 1106" and is included in the appendix on p. 2976.)

Mr. HISS. Colonel Harris, can you give some estimate of the total construction costs of the last war?

Lieutenant Colonel HARRIS. I can give you roughly the figures, and you can correct them later, if you wish.

The CHAIRMAN. Please do so.

Lieutenant Colonel HARRIS. Roughly, the figures which have been submitted officially were approximately $500,000,000 for cantonment construction and for housing troops, about $400,000,000 for procurement of facility construction which was operated by industry, and approximately $350,000,000 for facility construction which was operated by the Government. Those figures are subject to change when this record appendix A is found.

Mr. HISS. The appendix to a letter from the Secretary of War——

Lieutenant Colonel HARRIS. That is appendix A, as I understand.

Mr. HISS (continuing). To the chairman of the committee will be marked as an exhibit at this point.

(The appendix referred to was marked "Exhibit No. 1107" and is included in the appendix on p. 2981.)[1]

Mr. HISS. Colonel Harris, during the war-time purchases by the Government, was it a custom for the Government to advance to manufacturers and to construction companies part of the cost of manufacturing or construction activities?

Lieutenant Colonel HARRIS. That was done in many cases.

Mr. HISS. I call your attention to an excerpt from a deficiency appropriation act for the fiscal year ending June 30, 1918, which was approved October 6, 1917, and appears at 40 Statutes at Large, 345, at page 386. This provides that the Secretary of War and the Secretary of the Navy are authorized, during the period of the existing emergency, from appropriations available therefor, to advance payments to contractors for supplies for their respective departments in amounts not exceeding 30 percent of the contract price of such supplies. Then there is a proviso that there shall be adequate security required for the protection of the Government.

Do you know how much money, roughly, was so advanced?

Lieutenant Colonel HARRIS. I do not.

Mr. HISS. I call your attention to a letter, which I would like you to identify, of February 6, 1920, from the contract section, Administration Division; what do the initials O. O. stand for?

Lieutenant Colonel HARRIS. Ordnance Office.

Mr. HISS (continuing). Ordnance Office, to Messrs. Taber and Firestone, historical branch, executive section, Ordnance Office. Paragraph 12, which appears on the fourth page, reads:

> The War Credits Board, acting under the provisions of the act of Congress of October 6, 1917—

which I have just read into the record in part—

> had advanced to ordnance contractors $173,366,156.04. These advances had been recouped upon deliveries or completed units or articles in the amount of approximately $79,000,000, and it became necessary for the Claims Board to deduct from settlement contracts and statutory awards sufficient amounts to fully reimburse the War Credits Board for the total of the advances made and the interest accrued.

Do you know what the advances were for other branches than Ordnance, and do you know whether it would be possible to have those figures compiled, if you do not have them in mind at the moment?[2]

Lieutenant Colonel HARRIS. I cannot state, because I do not know. It should be possible to obtain that information.

Mr. HISS. Was it customary to make the advances in connection with quartermaster work, as this paragraph states it was in connection with ordnance?

Lieutenant Colonel HARRIS. I have no knowledge on the subject.

Mr. HISS. If the material is readily available, would you supply a statement on that?

Lieutenant Colonel HARRIS. I will endeavor to supply the committee with that information.[2]

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[1] Entered into further in Hearings, Part XV, p. 3627

[2] A memorandum from the War Department showing total war-time advances authorized by the Secretary of War was entered as "Exhibit No. 1156" and appears in Hearings, Part XIV, appendix, p. 3286.

Senator VANDENBERG. Do I understand that all the figures in this memorandum which we are discussing were exclusively War Department figures and do not include any Navy Department expenditures?

Mr. HISS. That is my understanding. Is that correct, Colonel Harris?

Lieutenant Colonel HARRIS. Those are all ordnance expenditures.

Mr. HISS. Those are all ordnance expenditures, but the charge which is here——

Senator VANDENBERG. I am referring to this sentence [reading]:

> It is shown on the books of the War Department that the total expenditures and obligations of the War Department from April 6, 1917, until September 1, 1919, was $18,501,117,000—

That would be exclusively War Department and would not include Navy Department or anything outside the jurisdiction of the War Department?

Lieutenant Colonel HARRIS. Yes, sir; that is correct.

Mr. HISS. Colonel Harris, at the hearings before the so-called "Graham" committee, which was officially known as the "Select Committee on Expenditures in the War Department", in volume 3 of serial 1, page 651, which contains reports of the committee after their hearings, there is a statement made:

> It is shown on the books of the War Department that the total expenditures and obligations of the War Department from April 6, 1917, until September 1, 1919, was $18,501,117,000—

and some odd. That is considerably in excess of the total shown on this chart, which was $12,000,000,000.

Lieutenant Colonel HARRIS. Yes, sir.

Mr. HISS. How do you explain the difference?

Lieutenant Colonel HARRIS. In the use of the word "obligations." When we place the contract, the full obligation is set up. When the contract was canceled and adjustments were made, there was a great reduction in actual expenditure.

Mr. HISS. That states the total amount that the Government would have been obliged to pay, had all contracts been carried out?

Lieutenant Colonel HARRIS. Fulfilled.

Mr. HISS. Which were in existence some time during the war?

Lieutenant Colonel HARRIS. Yes, sir.

Senator VANDENBERG. That means, then, there was a shrinkage of about $4,000,000,000 between obligations and expenditures?

Lieutenant Colonel HARRIS. Whatever the difference is between the two figures.

ADVANCES MADE TO THE DU PONT CO. ON WAR-TIME CONTRACTS

Mr. HISS. Mr. du Pont, I have a document before me which we received from your company which states advance payments held by the du Pont Co. by months, from 1914 to 1918, inclusive. Have you a copy of that with you, Mr. du Pont?

(The document referred to was marked "Exhibit No. 1108" and is included in the appendix on p. 2982.)

Mr. PIERRE DU PONT. I beg your pardon?

Mr. HISS. On the first page there is a tabulation of advance payments held by the du Pont Co., by months, from 1914 to 1918, inclusive. Have you a copy of that with you?

Mr. Pierre du Pont. May I see it?

Mr. Hiss. We might look at it together.

Mr. Pierre du Pont. These, of course, are not advance payments from the United States Government.

Mr. Hiss. No. These show that, beginning with October 1914, the following advance payments were held by the du Pont Co.:

October 1914, 6 million-and-some-odd dollars; approximately the same figure in November; $6,800,000 in December; in January 1915, $13,500,000; February, $17,000,000; increasing to $85,000,000 in September 1915; and to $97,000,000 in December 1915.

I assume this is a cumulative statement as of any particular time. Is that correct, Mr. du Pont?

Mr. Pierre du Pont. I understand that that is the case, held at those particular dates; yes, sir.

Mr. Hiss. 1916, January, the figure was $102,000,000, which was apparently the high point of this particular tabulation. Do you know whether any of the figures stated for 1917 and 1918 included advances from the United States Government for contracts carried out by your company? You were president of the company at this time, were you not?

Mr. Pierre du Pont. My recollection is all the advances which we have from the United States Government were in connection with Old Hickory plant, and that advance was made in the spring of 1918, in the amount of about $18,000,000, I think.

Mr. Eliason. That is not included in these figures.

Mr. Pierre du Pont. These were only advances from the European governments.

Mr. Eliason. And the advance by the United States in connection with Old Hickory was made——

Mr. Pierre du Pont. Am I right in saying the advance made to the du Pont Co. in connection with the Old Hickory plant is the only one?

Mr. Eliason. That is the only one I have any recollection of.

The Chairman. What is the name of this gentleman?

Mr. Eliason. J. Bayard Eliason.

The Chairman. For the information of the committee at the present time state your official capacity with the du Pont Co.

Mr. Eliason. I am treasurer of E. I. du Pont de Nemours Co.

TESTIMONY OF J. BAYARD ELIASON—Recalled

(The witness was previously duly sworn by the chairman.)

Mr. Hiss. Certain advances were made to a company known as "du Pont American Industries" during the war by the United States Government; is not that correct, Mr. Eliason?

Mr. Eliason. I believe that is correct.

Mr. Hiss. Have you any statement indicating the total amount of the advances that went to E. I. du Pont de Nemours Co., the parent company, or to du Pont American Industries, Inc., or to any other subsidiary? [1]

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[1] Under date of Apr. 19, 1935, the du Pont Co. submitted a statement of advances from the United States Government in connection with military contracts. This statement appears in the appendix on p. 3151.

Mr. ELIASON. I have no figures on that.

Mr. HISS. If it is not too difficult a task, will you supply the committee with those figures?

Mr. ELIASON. I will be very glad to.

Mr. HISS. Mr. du Pont——

Mr. PIERRE DU PONT. May I make a statement there?

Mr. HISS. Yes.

Mr. PIERRE DU PONT. Mr. Eliason reminds me that the advances to the du Pont American Industries Co. were in connection with purchases of linters for the manufacture of powder.

Mr. HISS. So I understand.

Mr. PIERRE DU PONT. I understand that those linters were purchased for the company. They should be called "cotton linters."

Mr. HISS. Do you know whether the du Pont American Industries acted as agent for the Government in buying linters and shavings for other than their own contracts, that is, for other than contracts of E. I. du Pont de Nemours Co.? [1]

Mr. PIERRE DU PONT. My recollection is that they were bought by the Government as well as the du Pont-owned plants. That must be verified. I cannot say.

Mr. HISS. May we have a verification of that, Mr. Eliason?

Mr. du Pont, in a report of what is known as the Government Claims Division—do you remember that organization in your company?

Mr. PIERRE DU PONT. Yes.

Mr. HISS (continuing). For July 1920, the report being dated September 14, 1920, there is a statement that some $20,800,000 worth of materials, including sulphur, cotton, nitric acid, and other materials, had been turned over to the Government at the conclusion of the war. Can you explain what those transactions were?

Mr. PIERRE DU PONT. I think very likely in connection with the Nashville plant.

Mr. HISS. Were any of these linters, for example, purchased by du Pont American Industries?

Mr. PIERRE DU PONT. That was at Nashville, also.

Mr. HISS. Did the du Pont Co., or any of its subsidiaries, act in purchasing nitrate for the Government?

Mr. PIERRE DU PONT. I should not wonder if nitrate was purchased also.

Mr. HISS. Do you recall what was known as the nitrate pool during the war?

Mr. PIERRE DU PONT. I do not recall.

Mr. HISS. Is there anyone of your company present who is familiar with that, Mr. du Pont?

Mr. PIERRE DU PONT. Might Mr. Irénée du Pont be called, Mr. Chairman?

The CHAIRMAN. Mr. Irénée du Pont.

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[1] The du Pont Co. notified the committee under date of Jan. 10, 1935, that during the World War and until June 1920, du Pont American Industries, Inc., acted as agent for the United States in the inspection, purchases, etc., of cotton linters, and received a total net income of $232,711.12, during that period. Copies of the contracts and forms involved were furnished to the committee and are in its files. See appendix, p. 3151, for additional information, submitted to the committee on Apr. 17, 1935.

TESTIMONY OF IRÉNÉE DU PONT—Resumed

(The witness was previously duly sworn by the chairman.)

Mr. **Pierre du Pont.** Have you knowledge of the purchase of linters and nitrate and the pooling in 1918? Is that the question? Would you repeat your question again, please?

Mr. **Hiss.** The question was this, Mr. du Pont: On September 14, 1920, the Government Claims Division in a report referred to the turning over to the Government of $20,800,000 worth of materials, including sulphur, cotton, and nitric acid.[1] I asked Mr. Pierre du Pont if he could explain what such transactions were. You were president at that time, Mr. du Pont?

Mr. **Pierre du Pont.** That was in 1919 or 1918?

Mr. **Hiss.** I think the actual transaction was completed sometime in 1919 or 1920.

Mr. **Pierre du Pont.** Mr. Irénée du Pont was president at that time.

Mr. **Hiss.** I beg your pardon.

Mr. **Irénée du Pont.** That is going back a good ways on a detailed matter which I cannot recall now, but it certainly must be of record in the War Department, which you could get.

Mr. **Hiss.** The specific question which Mr. Pierre du Pont wanted you to answer was, In the purchase of nitrate for the Government did the du Pont Co. act as agent for the Government?

Mr. **Irénée du Pont.** I do not recall. It is very hazy in my mind. I would not be at all surprised if we did.

Mr. **Hiss.** Colonel Harris, have you any recollection on the subject?

Lieutenant Colonel **Harris.** I do not believe they did. I believe the nitrate pool handled nitrate, but that is nothing but my recollection.

Mr. **Hiss.** Can you explain the set-up of the nitrate pool?

Lieutenant Colonel **Harris.** Only in a general way. Certain importers acted as agent for the Government in holding and distributing according to the desires of the Government.

Mr. **Hiss.** Was the du Pont Co. a member of that group?

Lieutenant Colonel **Harris.** I do not think so, but I am not positive.

Mr. **Hiss.** The du Pont Co. during the war had nitrate holdings in Chile, did it not?

Mr. **Irénée du Pont.** Yes.

Mr. **Hiss.** And received nitrates from that source?

Mr. **Irénée du Pont.** Yes; but a very small proportion of our requirements.

Mr. **Hiss.** May I request you to investigate this particular item of $20,800,000, and if it refers only to the Old Hickory establishment, there is no further interest in it.[1]

If it refers to du Pont American Industries or to nitrates or any other item, then there is interest in it.

Mr. **Pierre du Pont.** I feel almost certain that the nitrates purchased for the du Pont Co.'s own use in its own plants were not involved in the pool of the Government, but I would like to have that verified. It is purely a recollection of a long time ago.

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[1] Under date of Apr. 19, 1935, the du Pont Co. submitted further information regarding this $20,800,000 item. See appendix, p. 3152.

Mr. Eliason. That is material turned over to the United States Government during the war?

Mr. Hiss. You may have my notes and return the slip, please. Would it be possible to have that by tomorrow or early next week?

Mr. Eliason. We can have it by early next week.

Mr. Hiss. Mr. du Pont, is it not true that as a result of the large orders which your company had during the war—and I here offer as a further exhibit another page of this particular statement, which represents the military contracts, gross sales of cannon powder, rifle powder, TNT, black powder, caps and fuses, and miscellaneous of the du Pont Co. from 1914 to 1918. The gross value of all those items was $1,245,563,000 and some odd; of which cannon powder in value represented $796,000,000, smokeless rifle powder $124,000,000, TNT $112,000,000, and other items are black powder $3,928,000—are you checking it?

Mr. Pierre du Pont. I know the chart, and I am sure it is correct.

Mr. Hiss Caps and fuses $8,351,000, and miscellaneous a total of $200,000,000, which is the second largest single item.

What would go into making up miscellaneous items? Do you know, Mr. du Pont?

Mr. Pierre du Pont. I think I can find it. Was not that shown in the testimony at the first hearing?

Mr. Hiss. I do not believe so on this particular item.

Mr. Pierre du Pont. That is in one of our annual reports.

(The list of military contracts referred to in the document above mentioned was marked " Exhibit No. 1109 " and included in the appendix on p. 2982.)

Mr. Hiss. Mr. Gregg can make a statement as to the purchase of linters, Mr. du Pont. Mr. Gregg, of the du Pont Co., had not been sworn.

TESTIMONY OF WILLIAM S. GREGG

(The witness was duly sworn by the chairman.)

The Chairman. Give your full name.

Mr. Gregg. William S. Gregg, Wilmington, Del.

The Chairman. And your capacity or position with the corporation is what?

Mr. Gregg. Attorney.

The Chairman. Attorney?

Mr. Gregg. That is correct.

Mr. Hiss. Mr. Gregg has some information in respect to the relations of the du Pont Co. with the Government in the purchase of linters.

Mr. Gregg, will you please state what you care to?

Mr. Gregg. For the information of the committee, my understanding is that the du Pont Cos. were appointed agent for the United States Government to purchase all linters, the object being to have only one purchaser in the market for linters. The Government had practically fixed the price which should be paid to the producers of linters. It is further my understanding that the Government, after the purchase of those linters by the du Pont American Industries, allocated the linters not only to the concerns using linters in this country but also to the Allies, as any quantity of linters were shipped to the other side.

Mr. Hiss. Do you have any information, Mr. Gregg, as to the relations in the purchase of nitrate?

Mr. Gregg. No; I do not. Mr. Hiss.

Mr. Hiss. Have you a copy of the annual report there?

Mr. Pierre du Pont. I have it for 1918. Mr. Chairman, this annual report of the E. I. du Pont de Nemours Co. for 1918 gives some of the detail of this item of $206,000,000 of materials—caps, fuzes, ignition pellets, and the loading of explosives for use in the field. Those are apparently the major items of that miscellaneous caption.

Mr. Hiss. Have you the 1916 report with you?

Mr. Pierre du Pont. Does that answer the question?

Mr. Hiss. Yes, sir; I think it does.

Mr. Pierre du Pont, as a result of the large volume of business which your company——

Mr. Pierre du Pont. Mr. Chairman, might I call attention to a statement which was made a few minutes ago in regard to the proportion of propellants used in the total purchases? It is given at 40 percent, I think, of $4,000,000,000. That would be $2,400,000,000, or, rather, $1,600,000,000.

Mr. Hiss. Not propellants; explosives and propellants, all powders.

Mr. Pierre du Pont. Our total sales to the Allies from the du Pont Co. on everything were $1,245,000,000. I cannot see how that 40 percent or $1,600,000,000 could be correct. I do not want to doubt your figures, Colonel.

Lieutenant Colonel Harris. My statement was subject to correction.

Mr. Pierre du Pont. The greater part of our sales was made to the Allied Governments and not to the United States. I do not know whether it is a material item, but I think there must be confusion on that thought.

Lieutenant Colonel Harris. Of course, the statement was 40 percent of the total appropriation for ammunition, and our statement was that 40 percent of that was powder and all explosives.

Mr. Pierre du Pont. I beg your pardon.

Lieutenant Colonel Harris. But that is subject to correction, after I view the record.[1]

Mr. Pierre du Pont. I beg your pardon.

Mr. Hiss. Mr. du Pont, to return to the specific question, Is it not true that during the period from the beginning of the World War until the end of the World War your company built some $60,000,000 worth of powder plants not in existence at the beginning; that is, you extended your capacity by approximately——

Mr. Pierre du Pont. I think the total is $80,000,000 in the record.

Mr. Hiss. $80,000,000. During the same period, or toward the end of that period, your company, in addition, went into the dye field, with an investment of some additional millions, and also developed one or two other industries. You went into paints and other things, too?

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[1] Under date of Apr. 4, 1935, Colonel Harris corrected his statement as follows: "About 60 percent of total ordnance expenditures were for ammunition and of this 60 percent about one-fourth was for powder and explosives, including powder plants, explosive plants, and loading plants."

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. During that time, 1914 to 1920, do you know of any financing, public financing, carried on by the du Pont Cos. to aid their construction of these plants?

Mr. PIERRE DU PONT. There was no public financing or offering of securities. That is correct, is it not?

Mr. IRÉNÉE DU PONT. Yes, sir.

Mr. HISS. I offer for the record a statement furnished by the du Pont Co. showing the issues of capital which were underwritten by outside banking houses from October 1, 1915, which was the date of incorporation of the present company, to November 22, 1924, and I would say that to that there is a footnote [reading]:

> Furthermore, there were no such issues by E. I. du Pont de Nemours Powder Co. during 1914 and up to October 1, 1915.

(The statement referred to was marked " Exhibit No. 1110 " and is included in the appendix on p. 2984.)

Mr. HISS. That is the predecessor of the present company?

Mr. ELIASON. That is right.

Mr. HISS. That shows, as I say, no outside aid from banks or banking houses in the construction which you have just described.

Mr. IRÉNÉE DU PONT. Of course, the very large financing of that construction was furnished by the advances of the Allies, which you read, and which was apparently confused with the advances from the United States Government, which it was not.

That long list of advances, running up to $97,000,000, was advanced—money advanced to us by the Allies—used for the purpose of expansion.

Mr. HISS. I attempted to make that clear and I am sorry if I did not, and I asked for a statement as to how much had been advanced by the United States Government, which your company will furnish.[1]

Senator VANDENBERG. We loaned them the money which they advanced to you, did we not?

Mr. IRÉNÉE DU PONT. No, sir. That was advanced before the United States got in the habit of loaning.

Mr. HISS. Furthermore, a large investment was made in General Motors Co. during this period, too. Is not that correct?

Mr. PIERRE DU PONT. May I look at this?

Mr. HISS. Certainly [handing paper to witness].

Mr. PIERRE DU PONT. I am not certain of this one item.

Mr. IRÉNÉE DU PONT. What is the origin of this statement? Was that taken from our files?

Mr. HISS. No; your company prepared it at my request.

Mr. ELIASON. We furnished that statement.

Mr. PIERRE DU PONT. It is certainly correct, then.

Mr. HISS. This shows that the first outside assistance was in May of 1921, first from the year 1914, in which there was a public offering of bonds of a par value of $35,000,000, underwritten by J. P. Morgan

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[1] See footnote on p. 2912, for statement of advances.

& Co., with a fee to the underwriter of $1,750,000; in December 1925 the next issue underwritten was by J. P. Morgan & Co., with a par value of $10,000,000 being debenture stock callable at 125. This, I judge, was largely taken over by stockholders of the du Pont Co.?

Mr. PIERRE DU PONT. That shows that 40 percent was taken over by stockholders.

Mr. HISS. And 59 percent was taken over by the underwriter?

Mr. PIERRE DU PONT. Right.

Mr. HISS. A total of 59,338 shares by the underwriter.

Mr. PIERRE DU PONT. Right.

Mr. HISS. Then in April 1928 there was a further issue of debenture stock, par value $10,157,000, which was offered to debenture holders pro rata. In that case the underwriters exercised rights on only 5.99 percent, a total of 6,080 shares.

Mr. Pierre du Pont, during the war did your company not decide to carry out its own insurance business; in other words, to cease placing ordinary insurance through insurance companies, or to undertake to finance your own insurance risks?

Mr. IRÉNÉE DU PONT. We had always insured our own explosion risks. We set up a reserve for explosions. I think you must refer to marine insurance or something else. We always placed boiler insurance outside.

Mr. HISS. I call your attention to a resolution of the executive committee, June 11, 1917, in which it was decided that the company should carry its own insurance except on boilers and marine risks, on automobiles, and where excessively low rates were offered by insurance companies. Was that policy carried out?

Mr. IRÉNÉE DU PONT. I presume so. I do not recall the resolution, although I think I was a party to drawing the resolution.

Mr. PIERRE DU PONT. I think we have still quite a large blanket insurance over certain amounts, calamity insurance.

Mr. HISS. Can you give us some estimate of how much the company insures its own risks and how much is placed with outside firms? [1]

Mr. PIERRE DU PONT. We can furnish it.

Mr. HISS. Will you please furnish it?

Mr. PIERRE DU PONT. But I have not the information.

Mr. HISS. Colonel Harris, have you still a copy of that letter?

Lieutenant Colonel HARRIS. Yes, sir.

Mr. HISS. If you will turn to paragraph 22, you will find the following statement:

> No statistics are available as to the number of financial wrecks in the wake of ordnance-manufacturing activities. The Claims Board has frequently had evidence of financial stress and strain. The number of receiverships and bankruptcies among prime contractors coming to the attention of the Ordnance Claims Board may, it is believed, be counted upon the fingers of two hands.

As a result of the war, I judge from this statement, there were relatively few failures on the part of prime contractors who contracted with the Ordnance Department. Is that correct, Colonel?

Lieutenant Colonel HARRIS. I have no knowledge. That is an official report, and I presume it to be true.

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[1] Under date of Apr. 19, 1935, the du Pont Co. informed the committee that "as of Dec. 31, 1934, E. I. du Pont de Nemours & Co. and wholly owned subsidiaries insured their own risks to the extent of approximately 82 percent and placed with outside insurance firms coverage on approximately 18 percent."

Mr. Hiss. Colonel Harris, is it not true that during the war, as a result of the enormous expenditures by the Government which have already been referred to and to the advancing of funds by the Government, a considerable amount of the risk of doing contracting business for the Government was assumed by the Government?

Lieutenant Colonel Harris. In many cases that is true, and in many cases it is not true.

Mr. Hiss. Will you describe for the committee the use of cost-plus contracts during the World War?

Lieutenant Colonel Harris. In the case of those noncommercial items with which industry was not familiar and could not form a reasonable estimate of cost, it was found necessary in many cases, and also in the case of cantonments, where speed was so urgent that time for negotiation could not be spared, it was found necessary to enter into what is known as a "cost-plus contract"; that is, the Government defraying all costs and paying the contractor—reimbursing the contractor for all costs, plus a percentage fee on the total expenditures.

In many cases, however, there was a top limit to the amount that the contractor could earn through this percentage of profit.

Senator Vandenberg. What was that percentage fee ordinarily?

Lieutenant Colonel Harris. Ten percent, generally speaking, in the beginning, although in later contracts there were variations from that.

Senator Clark. Variations up?

Lieutenant Colonel Harris. Generally down, Senator.

Mr. Hiss. What is the present attitude of the War Department, in retrospect, with all the value of hindsight, on cost-plus contracts?

Lieutenant Colonel Harris. We, together with everybody else, are opposed to cost-plus contracts. We still, however, do not know quite how we are going to make contracts in time of war for material unknown to the contractor, with which he is not familiar. We do not know just how we are going to make a contract to cover that contingency right now.

Mr. Hiss. Referring again to the chart which was introduced earlier and marked "Exhibit No. 1104", would you not say that the major purchases of the Ordnance Department, represented on this chart at 4 billion dollars, are of items with which the ordinary manufacturer in the United States is not familiar in peace time?

Lieutenant Colonel Harris. Generally speaking, the ordnance equipment is such that the ordinary manufacturer is not familiar with it.

Mr. Hiss. Then cost-plus contracts were to a considerable extent used in the ordnance field?

Lieutenant Colonel Harris. To a considerable extent.

Mr. Hiss. Is that also true of the construction field, in building cantonments and things of that sort?

Lieutenant Colonel Harris. I think that is generally true in the construction field.

Mr. Hiss. As a result of cost-plus contracts, in the opinion of the War Department were excessive profits earned in some cases?

Lieutenant Colonel Harris. In some cases they were. In other cases the cost-plus contracts resulted in a reduction of price. We have one example, in the manufacture of the shoulder rifle. The Remington Arms and one other arms company would not take a fixed-price contract on account of changing the rifles from the British chamber to the American chamber, and insisted on a cost-plus contract; and under that contract reduced the price from $42, which the Allies had been paying, to $26, which it amounted to under the cost-plus contract. Our records showed that the company would have preferred to have a fixed-price contract and applied for it, but it was not given to them.

Mr. Hiss. Mr. Chairman, may I call Mr. Muir, one of the accountants working for the committee?

The Chairman. Has Mr. Muir been sworn?

Mr. Hiss. No; he has not.

TESTIMONY OF R. F. MUIR

WAR-TIME INCOMES OF CERTAIN COMPANIES AND INDIVIDUALS

(The witness was duly sworn by the chairman.)

Mr. Hiss. Mr. Muir, will you please state your experience in the field of accounting?

Mr. Muir. Since 1932 to date I have been accountant investigator for the Banking and Currency Committee, the Ocean and Air Mail Investigation, and presently with the Munitions Committee. Prior to that I have been at the head of the accounting department of a large manufacturing concern in New York City.

Mr. Hiss. I show you a report of net taxable income, invested capital and the percentage of income to the invested capital. Was this prepared by you, Mr. Muir?

Mr. Muir. Yes; it was.

Mr. Hiss. From official records in the Bureau of Internal Revenue?

Mr. Muir. Yes; that is right.

Mr. Hiss. You have checked this report carefully against the records of the Bureau?

Mr. Muir. Of the Bureau; yes.

Mr. Hiss. That is all, thank you.

This report, which I offer as "Exhibit No. 1111", shows certain profits made in the metals industry.

(The report referred to was marked "Exhibit No. 1111", and is included in the appendix on p. 2985.)

Mr. Hiss. The American Brass Co. Were they a contractor of the Government, Colonel Harris?

Lieutenant Colonel Harris. They undoubtedly furnished brass.

Mr. Hiss. In 1916 their net taxable income after all deductions was $20,000,000 upon an invested capital of $39,000,000, or a profit of 51 percent. That was before the United States entered the war, so that was presumably primarily for contracts from foreign orders. In 1917 their percent of net taxable income on the invested capital was 23 percent.

The Bethlehem Steel Corporation. Were they a contractor of the Ordnance Department?

Lieutenant Colonel Harris. They were.

Mr. Hiss. In 1917 they had a net taxable income of $61,810,000, the percent of net income to the invested capital being 43 percent.

Jones & Laughlin Steel Co. Were they a contractor of the Ordnance Department?

Lieutenant Colonel **Harris**. I could not answer definitely.

Mr. **Hiss**. In 1917 this company had a profit of $48,869,000 on an invested capital of $103,000,000; in other words, 47 percent profit.

The Atlas Powder Co. Were they a contractor of the Ordnance Department?

Lieutenant Colonel **Harris**. Yes, sir.

Mr. **Hiss**. In 1917 they made 27 percent on the invested capital.

Colt's Patent Firearms Co. Were they a contractor?

Lieutenant Colonel **Harris**. They were.

Mr. **Hiss**. In 1916, before this country entered the war, their profit was 60 percent of invested capital. In 1917 it was 64 percent and in 1918 51 percent.

The Midvale Steel & Ordnance Co. Were they a contractor of the Ordnance Department?

Lieutenant Colonel **Harris**. They certainly were of the Navy, but I am not sure about the Ordnance.

Mr. **Hiss**. In 1917 this company had a profit on its invested capital of 43 percent.

Senator **Vandenberg**. How many of these contractors would be on a cost-plus basis?

Mr. **Hiss**. The majority of the ordnance contractors, according to the previous testimony of Colonel Harris, were on a cost-plus basis.

Lieutenant Colonel **Harris**. I am sure that many of the contractors listed here were not on a cost-plus contract. For example, brass purchases would certainly be purchased on a straight contract.

Mr. **Hiss**. The Savage Arms Corporation. Were they contractors of the Ordnance Department?

Lieutenant Colonel **Harris**. They were.

Mr. **Hiss**. In 1917 it had 65 percent return on its invested capital; $6,000,000 profits on $10,000,000 investment. In 1918, 43 percent profit.

The Western Cartridge Co. Were they also a contractor of the Ordnance Department?

Lieutenant Colonel **Harris**. Yes.

Mr. **Hiss**. In 1916, before this country entered the war, their profit was 49 percent; in 1917 and 1918, 35 percent and 39 percent, respectively.

The Winchester Repeating Arms Co. Were they a contractor?

Lieutenant Colonel **Harris**. They were.

Mr. **Hiss**. In 1918 they show a profit of 22 percent.

The following three items do not refer to the Ordnance Department but refer to the Navy Department. They were companies engaged in the shipbuilding industry.

The Bethlehem Shipbuilding Corporation in 1918 showed a profit of 40 percent on its invested capital, and in 1919, 63 percent.

The New York Shipbuilding Co. in 1918 showed a profit of 41 percent, in 1919 a profit of 49 percent, and in 1920 a profit of 46 percent.

The Newport News Shipbuilding & Dry Dock Co. in 1917 showed a profit of 86 percent on its invested capital; $3,298,000 net income, with an invested capital of $3,800,000. In 1918 the profit was 72 percent; in 1919, 70 percent; and in 1920, 75 percent.

The Bethlehem Loading Co.—was that a subsidiary of the Bethlehem Steel Co., Colonel Harris?

Lieutenant Colonel HARRIS. It was.

Mr. HISS. It showed a profit in 1918—were they a contractor of the Ordnance Department?

Lieutenant Colonel HARRIS. They were a contractor of the Ordnance Department.

Mr. HISS. It showed a profit on invested capital of 362 percent, the net income being $151,000, and the invested capital being $41,000.

Senator VANDENBERG. Mr. Hiss, do these statements show the income tax for these same years?

Mr. HISS. That has been stricken out, because the accountant could not be sure that perhaps some additional munitions tax was not paid. The records of the Bureau of Internal Revenue were not absolutely clear on that point, so we preferred not to put anything in that there might be a dispute about.

Senator VANDENBERG. In other words, we have no information as to how much of this——

Mr. HISS. Was paid back to the Government in the form of taxes. That is correct.

Senator BARBOUR. This might be subject to an excess-profits tax?

Mr. HISS. That is correct. We do not have information at this time as to how much was paid back in any of these years.

Mr. IRÉNÉE DU PONT. You know that the law says that all above a certain nominal percentage—I think 80 percent—was taken back by the Government.

Mr. HISS. You are referring to the munitions tax, or to the ordinary excess-profits tax?

Mr. IRÉNÉE DU PONT. I am talking of the excess-profits tax. Is that not a fact?

Mr. HISS. I am afraid I do not know.

The CHAIRMAN. Colonel Harris, you wish to speak on this?

Lieutenant Colonel HARRIS. Yes. I would like to make a statement. With reference to the matter of the contracts with the companies that did business for the War Department, I feel sure that they were fixed-price contracts. With your permission, I should like to put into the record for each one of those companies whether it was a cost-plus or a fixed-price contract.[1]

One other point with reference to some of those companies, they were acting only as agents of the War Department. In the case of the loading plant of the Bethlehem Co., for example, they were simply acting as agents of the Ordnance Department, and the War Department was putting up all the money for the entire expenditure. I do not know what effect that would have on their capitalization.

Mr. HISS. Mr. Muir, may I ask you one more question, please?

Do the figures stated in the report that has just been put in evidence represent the final figures of today in the Bureau of Internal Revenue?

Mr. MUIR. The net taxable income was the final figure determined by the Bureau upon which a tax was based.

Mr. HISS. Subject to no further adjustments at the present time?

Mr. MUIR. Subject to no further adjustments.

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[1] During hearings of Dec. 19, 1934, Colonel Harris introduced additional data on cost-plus and fixed-price contracts. Hearings, Part XVI, p. 3936.

Mr. Hiss. Is the same thing true of the figure of invested capital?

Mr. Muir. Yes.

Mr. Hiss. Thank you. That is all.

Is Mr. Edward White, of the Bureau of Internal Revenue, here?

TESTIMONY OF EDWARD WHITE

(The witness was duly sworn by the chairman.)

Mr. Hiss. Mr. White, I show you a report in six pages headed "Statistical Section, Income Tax Unit. Individuals reporting net income of $1,000,000 or over for any one or more of the years 1917 to 1920."[1]

Will you please identify that for the committee? Was that prepared under the supervision of your department?

Mr. White. It was.

Mr. Hiss. Has Mr. White's official position with the Bureau of Internal Revenue been stated?

The Chairman. It has not. It had better be stated.

Mr. White. I am chief of the statistical section of the Income Tax Unit.

The Chairman. How long have you been such?

Mr. White. I organized this in 1917.

The Chairman. You have been its chief since its organization in 1917?

Mr. White. Continuously; yes, sir.

The Chairman. Thank you, Mr. White.

Mr. Hiss. I would like to offer this as the next exhibit.

(The report referred to was marked "Exhibit No. 1112" and is included in the appendix on p. 2987.)[2]

Mr. Hiss. This shows a total of 181 persons who report a net income of a million dollars or over. Mr. White, does this mean net taxable income?

Mr. White. That is the net income; yes.

Mr. Hiss. Subject to taxation?

Mr. White. Subject to tax; that is right.

Mr. Hiss. That is, after deductions?

Mr. White. After all deductions.

Mr. Hiss. And all losses, and so forth?

Mr. White. Yes, sir.

Mr. Hiss. The years covered by this report are 1915, 1916, 1917, 1918, 1919, and 1920. Of these 181, 47 reported taxable income of a million dollars or over for the first time in 1917 and 1918, the wartime period.

Senator Vandenberg. Did the table show what taxes they paid?

Mr. Hiss. No statement as to taxes or the amount of income other than that it was over a million dollars.

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[1] In connection with "Exhibit No. 1112" the committee received two denials from individuals mentioned as having a net income of $1,000,000 or over for any one or more of the years 1917 to 1920. One was from Ogden L. Mills, which was entered into the record as "Exhibit No. 1203", Hearings, Part XV, appendix, p. 3736. Mr. Mills' name is not included in the list although that of Ogden Mills, his father, is included. The other denial is from Julius Forstmann of the Forstmann Woolen Co., and is included in the appendix to this Part on p. 3164.

[2] Under date of Jan. 28, 1935, the Treasury Department supplemented this report with a list of individuals reporting net incomes of $1,000,000 or over, for one or both of the years 1915 and 1916, who did not report $1,000,000 or over for any of the years 1917–20. This list, and the accompanying letter from the Treasury Department, are included in the appendix on p. 3152.

Mr. Pierre du Pont, do you know whether in selling cannon powder and rifle powder abroad, title was taken by the purchasers in this country or whether it was part of your contract to deliver?

Mr. Pierre du Pont. Delivered in this country by us.

Mr. Hiss. Who paid the freight to Europe?

Mr. Pierre du Pont. The purchaser.

Mr. Hiss. Can you explain, referring to that document which we have already discussed, how in the year 1915 and in 1916, under the heading "Cannon powder"—let us turn to 1915. If you will look down that list, under treasurer's contract no. 20, you will see an order for a million pounds of cannon powder to the Bethlehem Steel Corporation. Is that correct?

Mr. Pierre du Pont. That is right.

Mr. Hiss. The price of that is 80 cents.

Mr. Pierre du Pont. Yes.

Mr. Hiss. All the other prices of cannon powder during that year are approximately 90 cents or more, many of them at a dollar. For example, the sale to England in the same month, February 17, of a larger amount at a dollar a pound; again on February 13, treasurer's contract no. 24, there was a further sale to Bethlehem Steel at 80 cents. That is true again of item 39. In fact, all the Bethlehem Steel sales in 1915 and 1916 seemed to be at 80 cents. Do you know just why they were able to purchase from your company at that price?

Mr. Pierre du Pont. Yes. Bethlehem Steel were old customers of ours. We felt they were entitled to a price on powder furnished by our original plant, on which there was a heavy amortization. The charge of a dollar was made by arrangement with our European customers to include the cost of amortizing the plants in the period of a year or in the period of the first contract, by agreement that we could not afford to build a plant for them unless they were going to use it and amortize it at the same time. That accounts for the differences.

Our price to the United States Government at that time, although we sold no powder, would have been at the 53-cent price provided by Congress. I think there are no contracts with the United States Government in this—yes; here is one. No; that is TNT.

Mr. Hiss. I would like to offer these sheets showing the individual contract sales for the years 1914 to 1918, inclusive, as the next exhibit.

(The tabulations referred to were marked "Exhibit No. 1113" and is included in the appendix on p. 2990.)[1]

Senator Vandenberg. Mr. Hiss, I would like to ask Mr. White this: Would it be possible to make a table comparable with this statistical section which you provided which, without indicating the name of the individual, would show the tax paid?[2]

Mr. White. Yes.

Senator Vandenberg. Upon these incomes.

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[1] The committee later computed the total amount of du Pont sales from 1914 to 1918 to certain foreign countries from "Exhibit No. 1113." These computations were introduced into the record as "Exhibits Nos. 1390 to 1394", inclusive. See Hearings, Part XVII, Appendix, pp. 4432 to 4435.

[2] Under date of Jan. 8, 1935, the Treasury Department supplied the committee with a compilation of original taxes filed by list of individuals in "Exhibit No. 1112." This list and the accompanying letter from the Treasury Department appear in the appendix on p. 3154.

Mr. White. Yes. I can only say this, that our record upon which this was made is the amount of income and, of course, the tax as reported originally without any adjustment after audit or examination by the Bureau. The section that is shown here was as originally filed; and, of course, the tax would have to be that same amount, because the statistical section does not have the data showing the final disposition of these cases.

Senator Vandenberg. But on the same basis that this was prepared, you could provide that statement?

Mr. White. Yes.

Senator Vandenberg. Would you be kind enough to provide that at your convenience to the committee?

Mr. White. Just the amount in each instance, the aggregate amount?

Senator Vandenberg. The amount in each instance.

Mr. White. Without the name?

Senator Vandenberg. Yes.

Mr. Hiss. That is, the amount of the tax paid and the amount of income?

Senator Vandenberg. Yes; the amount of income and the amount of tax paid.

Mr. White. The amount of income and the amount of tax reported. It will have to be the amount reported.

Senator Vandenberg. That is right.

Mr. Hiss. Mr. Chairman, I should like to offer for the record a memorandum consisting of excerpts from various official reports, summarizing profits made during the war.

The Chairman. Very well. It will be received.

(The memorandum referred to was marked "Exhibit No. 1114" and is included in the appendix on p. 3006.)

Mr. Hiss. In a report made to the Director General of Railroads by Washington E. Lowe and James L. Dohr, certified public accountants, now in the files of the Director General of Railroads, the United States Steel Corporation is shown to have had the following profit record:

In 1914 it made 3 percent on its investment. In 1915 this had increased to 10 percent; in 1916, 23 percent; in 1917, 35 percent; and in 1918, 29 percent.

The gross adjusted earnings as reported for the years 1915 through 1918, respectively, were as follows:

$131,223,000 in 1915, $348,254,000 in 1916, $585,494,000 in 1917, and $519,469,000 in 1918.

The Nagel Steel Co. showed in 1917 a percentage of 319 percent on investments, according to a report of the Federal Trade Commission.

The Utah Copper Co., according to the report of the Graham committee previously referred to, in 1917 had 200 percent profit on the capital stock, without considering whether it was overcapitalized; in 1918, 150 percent.

In 1917 the Calumet & Hecla Mining Co. had 800 percent return on its capital stock, and in 1918 it was 300 percent.

Senator Vandenberg. That will be a poignant memory today.

Mr. HISS. According to the Federal Trade Commission report, the New Jersey Zinc Co. in 1916 paid dividends of 76 percent on investment and on capital stock issue, and its net earnings were 95 percent of investment.

Senator VANDENBERG. Again there are no figures indicated as to the tax?

Mr. HISS. No, sir.

Mr. Irénée du Pont, you referred a few moments ago to the fact that heavy taxes were levied on income during the war. Earlier Mr. Pierre du Pont had referred to the fact that part of the high powder charges to certain of your customers, part of the difference between the charges to Bethlehem Steel Co., for example, and certain foreign customers, was due to the necessity for amortizing plants. Is it true that as a general rule during the war-time period there was amortization of plants throughout the munitions industries, or was your company alone in that respect?

Mr. IRÉNÉE DU PONT. I do not know, but I should think prudence would have dictated it to others as it did to us.

Mr. HISS. Are you familiar with the Revenue Act of 1918, that section which permitted deductions based on the amortization for disuse; that is, deterioration and obsolescence of facilities constructed for war time?

Mr. IRÉNÉE DU PONT. I have heard there was such a thing. I am not familiar with it.

Mr. HISS. Do you know whether your company claimed any deductions on that account?

Mr. IRÉNÉE DU PONT. I could not tell you. I presume some of our American orders involved them.

Mr. HISS. Would you furnish the committee with a statement of how much of your plant investment you claimed deductions for in later years, on income taxes in later years? [1]

I will not read this into the record, but will the reporter please copy it into the record as though it had been read in full?

(The matter referred to is as follows:)

REVENUE ACT OF 1918, PUBLIC, NO. 254, SIXTY-FIFTH CONGRESS

SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions: * * *

(8) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, and in the case of vessels constructed or acquired on or after such date for the transportation of articles or men contributing to the prosecution of the present war, there shall be allowed a reasonable deduction for the amortization of such part of the cost of such facilities or vessels as has been borne by the taxpayer, but not again including any amount otherwise allowed under this title or previous acts of Congress as a deduction in computing net income. At any time within 3 years after the termination of the present war the Commissioner may, and at the request of the taxpayer shall, reexamine the return, and if he then finds as a result of an appraisal or from other evidence that the deduction originally allowed was incorrect, the taxes imposed by this title and by title III for the year or years affected shall be redetermined and the amount of tax due upon such redetermination, if any, shall be paid upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.

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[1] See footnote on p. 2927 for statement of amounts allowed on a basis of amortization.

Mr. Pierre du Pont. I might say that in our own accounting we took amortization year by year, trying to apportion it as best we could over the likely time of use of the plants. But under the Federal tax office ruling, that amortization, I think, was all taken at the end of the period, was it not?

Mr. Eliason. As I recall it, the law at the time did not permit amortization as such. The law permitted, as I recall, a reasonable allowance for depreciation, including wear and tear. On our books we took the amortization charge. The Revenue Bureau refused to allow the deduction which had been taken on our books and which we claimed on our report as filed.

Mr. Hiss. Will you furnish that report?

Mr. Eliason. What do you want?

Mr. Hiss. A statement of actual amounts allowed on the basis of amortization.[1]

Mr. Eliason. Amortization allowed by years?

Mr. Hiss. Right.

Colonel Harris, in addition to the profits made by actual contractors with the Government, were there not also large profits made in the field of raw materials? In other words, the demand for raw materials in order to fill large Government orders must have increased the demand for raw materials as well, must it not?

Lieutenant Colonel Harris. The demand for raw materials was increased, and the price rose. In many cases it was later brought down by governmental intervention.

PRICES OF CERTAIN RAW MATERIALS FROM 1913 TO 1919

Mr. Hiss. I should like to introduce certain charts that have been prepared for the committee as to price fluctuations of raw materials during the war. The first of these, " Exhibit No. 1115–A ", is fuel oil, as contrasted with the price of all commodities during the period from 1913 to 1919. You will see that all commodities were gradually rising, so that there were high prices for everything. Fuel oil in January 1916 was well up above the line, and in August 1917, after the United States had entered the war, it went sharply above the level of all commodities and remained there until after the armistice, when it fell way below the ordinary commodities line.

The next chart, " Exhibit No. 1115–B ", is wool, which was required largely, I assume, for uniforms, blankets, and things of that sort. It will be seen that from the beginning of the World War, or from slightly before that, wool went way up above the all-commodities level, and after the United States had entered the war this shows a very sharp increase until just after the armistice, when it fell, but did not fall below the general level of commodities.

The price of bacon, shown in " Exhibit No. 1115–C ", which was purchased in large quantities by the Army, I assume, similarly, in April 1917, just after the United States went into the war, rose sharply from a position well below the level of all commodities, to a position well above that, and remained well above until after the armistice.

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[1] Under date of Dec. 15, 1934, the du Pont Co. notified the committee that amortization allowed by the United States Internal Revenue Bureau, in final consolidated tax returns of E. I. du Pont de Nemours & Co. was $15,343,987.69 for 1918 and $25,135.86 for 1919, a total of $15,369,123.55.

Senator **Vandenberg**. Have you stated the basis of your statistics?

Mr. **Hiss**. That is stated at the bottom. These data were furnished by the Bureau of Labor Statistics.

Similarly, in regard to brass sheets, shown in "Exhibit No. 1115–D" Brass was an important ordnance item?

Lieutenant Colonel **Harris**. It was.

Mr. **Hiss**. The price rose beginning with 1917 and remained up until January 1918, when suddenly it came down, and rose again in August 1918 and remained up until after the armistice.

Steel sheets, shown on "Exhibit No. 1115–E", show an enormous increase immediately following the entering of the United States into the war. This, then, comes down in the latter part of 1917 to the even level, well above the price of all commodities, which it maintained until after the armistice.

Senator **Vandenberg**. Does this indicate that this price is 400 percent as compared with normal?

Mr. **Hiss**. That is correct.

Senator **Vandenberg**. During the war, at the peak of the war?

Mr. **Hiss**. That is correct.

Similarly, with regard to steel plates, shown in "Exhibit No. 1115–F", which took a larger chart than the others. The level was 600 percent at a period a month or two after the United States had entered the war, in 1917. This high peak was brought down to 200 percent of the mean average of 1913, where it remained well above the all-commodity average until shortly after the armistice.

(The charts referred to were marked "Exhibit Nos. 1115–A to 1115–F" and are included in the appendix on pp. 3011 to 3014.)

Senator **Clark**. It remained above 200 percent until after the armistice?

Mr. **Hiss**. That is correct.

Senator **Clark**. Colonel, would your dealings with steel producers, speaking generally, be on a cost-plus basis or on a contract basis?

Lieutenant Colonel **Harris**. Generally on a contract basis, Senator.

Mr. **Irénée du Pont**. Have you no sheet for the powder?

Mr. **Hiss**. No; the Bureau of Labor Statistics had no figures on powder.

Mr. **Irénée du Pont**. I can furnish them.

Might we put in similar charts on the price of powder for the same period?[1]

Mr. **Hiss**. I think it has been generally admitted that the price of powder went down from the beginning of the war. I do not see the necessity for the chart, Mr. du Pont. We already have the information.

Mr. **Irénée du Pont**. The facts are, of course, prior to the war, in 1913, the price of cannon powder was 53 cents. I think you will find that all the Government powder bought from the du Pont Co. during the war was at much less than that price, less than ordinary cannon powder.

Mr. **Hiss**. The exhibit already introduced lists each sale by the du Pont Co. from 1914 to 1918.[2]

Mr. **Irénée du Pont**. But it does not show the pre-war price.

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[1] These charts were furnished later and marked "Exhibits Nos. 1253–A to 1253–F." Hearings, Part XV, p. 3672, appendix, pp. 3855 to 3857.

[2] "Exhibit No. 1109."

Mr. HISS. Another document in here will show the pre-war price, which will be introduced later.[1]

Mr. IRÉNÉE DU PONT. I thought it might be well to put them in together, to show the comparison.

Senator CLARK. The committee will take a recess until 2 o'clock.

(Thereupon, at 12:30 p.m. a recess was taken until 2 p.m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2 p. m.

TESTIMONY OF LT. COL. C. T. HARRIS, JR., LT. E. M. BRANNON, IRÉNÉE DU PONT, PIERRE DU PONT, J. B. ELIASON, AND W. S. GREGG—Resumed

Senator POPE. The committee will be in order. Mr. Hiss, you may proceed. Mr. Swint, did you desire to make a correction?

Mr. SWINT. Yes; in yesterday's testimony, in response to a question from Mr. Raushenbush, I stated that the German Explosives Co. did put in a temporary bid for the erection of a Chilean powder factory. I meant to say that they expressed a willingness to do so or an intention to do so. As a matter of fact, the Chilean Government lost interest in the proposition and no proposals were received from anyone.

Mr. HISS. Mr. Irénée du Pont, I understand, wants to make a slight correction for the record.

Mr. IRÉNÉE DU PONT. I was asked whether the du Pont Co. carried its own insurance. I said they did carry insurance against explosives. That was true before the war and after the war, but during the war period, when we had these large contracts for the Allies, we did carry outside insurance.

In answer to your question as to whether we had sufficient nitrate capacity to cover our needs, I was speaking of the war period, in which case we had a very small fraction of it.

Mr. HISS. Colonel Harris, to clear up what may or may not be an uncertain statement in the record, would you please state whether or not during the late war contracts let by the Ordnance Department of the War Department were let on a bid basis or on a negotiated basis.

Lieutenant Colonel HARRIS. During the war many of the contracts let by the Ordnance Department were on a negotiated basis, using both the fixed-price type of contract and the cost-plus type of contract.

Mr. HISS. I wish to turn over to the reporter a document which marked for the record as "Exhibit No. 1107" this morning, but of which I did not have a copy. This is a statement of the cost of construction by the War Department during the World War. Colonel Harris testified to it, to the best of his memory, subject to correction when the original document was later produced. This has been furnished to the committee by the Secretary of War. It shows that the cantonment construction—by the way, that includes camps of all kinds as well as cantonments?

Lieutenant Colonel HARRIS. Yes; housing.

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[1] Introduced as "Exhibit No. 1152." See Hearings, Part XIV, appendix, p. 3280.

Mr. Hiss. It shows that cantonment construction amounted to $496,389,000, that facilities construction operated by industry; that means the facilities after construction were to be operated by industry, doesn't it?

Lieutenant Colonel Harris. They were built and operated by industry.

Mr. Hiss. Facilities construction operated by industry, amounted to $442,430,000. Facilities construction operated by the Government; that means after the building to be operated by the Government, but actually not constructed by the Government, is that correct?

Lieutenant Colonel Harris. Yes.

Mr. Hiss. That is $332,000,000. That makes a grand total of $1,271,000,000 for construction during the war.

Mr. Rudd, will you please be sworn.

TESTIMONY OF JOHN H. RUDD

1916 AND 1917 INCOME AND TAXES OF CERTAIN CORPORATIONS

(The witness was duly sworn by the chairman.)

Mr. Hiss. Will you give your full name, please?

Mr. Rudd. My full name is John H. Rudd.

Mr. Hiss. Will you state your experience in accounting work?

Mr. Rudd. Since February 1, 1921, I have been with the United States Government, the Interstate Commerce Commission, Bureau of Finance. On November 7, 1933, I was detailed to work on the Commission's air-mail investigation, and since June 1, I have been on the munitions investigation. Prior to February 1921, I was with the Southern Railway Co.

Mr. Hiss. Mr. Rudd, I show you a volume entitled, " Senate Document No. 259 of the Sixty-fifth Congress, second session, Corporate Earnings and Government Revenues ", being a letter from the Secretary of the Treasury, transmitting in response to a Senate resolution certain facts, figures, data, and information taken from 1916 and 1917 income and excess profits tax returns of corporations, published in 1918. This publication states the earnings of certain corporations that were referred to by code numbers. Is that correct, Mr. Rudd?

Mr. Rudd. That is correct; yes.

Mr. Hiss. Have you been furnished a copy of the code which was retained by the Bureau of Internal Revenue and from which this was made up?

Mr. Rudd. Yes.

Mr. Hiss. Have you had copies made of the code, insofar as it relates to certain companies?

Mr. Rudd. Yes, sir.

Mr. Hiss. I will offer that as part of " Exhibit No. 1116."

Mr. Hiss. I will show you these documents and ask you to identify them. Were they prepared under your direction?

Mr. Rudd. Under my direction; yes.

Mr. Hiss. Were they carefully checked against the originals?

Mr. Rudd. They were checked against the originals; yes.

Mr. HISS. And they represent the statement of the actual names of the corporations referred to by code on certain pages of this particular document?

Mr. RUDD. They do; yes.

Mr. HISS. I should also like to have marked as "Exhibit No. 1116" the respective pages which are referred to on the attached sheets here.

(The codes in S. Doc. No. 259, each followed by the corresponding codes relating to companies as made up by Mr. Rudd were marked "Exhibit No. 1116" and are included in the appendix on p. 3015.)

Mr. HISS. I would like to state for the record, Mr. Rudd, before you go, that we are informed that these figures represent the figures as of the date that this was printed—namely, 1918—before refunds.

Mr. RUDD. Excuse me; 1917.

Mr. HISS. As of 1917?

Mr. RUDD. Yes, sir; that was in 1917 and also the net income for 1916.

Mr. HISS. I beg your pardon. The question is this: Since that book was published certain adjustments and changes may have been made in certain of the accounts.

Mr. RUDD. Yes.

Mr. HISS. In other words, the taxes may be less or greater now than are indicated here?

Mr. RUDD. That is right.

Mr. HISS. And the income may be less or greater?

Mr. RUDD. That is right.

Mr. HISS. In order to properly describe them, that qualification should be made?

Mr. RUDD. Yes.

Mr. HISS. They are not final figures?

Mr. RUDD. No, sir.

Mr. HISS. Merely figures as of 1918?

Mr. RUDD. Yes, sir.

Mr. HISS. All right, thank you.

Colonel Harris, are you familiar with certain of the construction contracts let during the World War?

Lieutenant Colonel HARRIS. No; I am not.

OLD HICKORY CONTRACT—NECESSITY FOR CONSTRUCTION OF OLD HICKORY POWDER PLANT

Mr. HISS. Are you familiar with the contract for the construction of a powder plant at Nashville, Tenn., known as the "Old Hickory" plant?

Lieutenant Colonel HARRIS. I have knowledge of that contract, but not detailed knowledge as to its provisions.

Mr. HISS. Would you state your relations to the Old Hickory negotiations, or operations, or whatever part you played?

Lieutenant Colonel HARRIS. You mean my personal relations during the war?

Mr. HISS. Yes.

Lieutenant Colonel HARRIS. I had no relations whatever with the negotiations for nor the execution of that contract.

Mr. Hiss. Is the construction of Old Hickory considered a representative contract? Would you say that it was typical of other contracts let during the war?

Lieutenant Colonel Harris. It was an unusual contract, because of its magnitude. It was a typical contract in regard to certain other phases, inasmuch as it was not a fixed-price contract and also in that the Du Pont Engineering Co. acted as agent for the Government. Other corporations did the same thing.

Mr. Hiss. Is it a contract which represents the kind of relationship between Government and industry of which the Ordnance Department felt proud? Was it considered a signal achievement in the field of engineering construction?

Lieutenant Colonel Harris. You are asking my personal views?

Mr. Hiss. Yes.

Lieutenant Colonel Harris. Or my views as a representative of the War Department?

Mr. Hiss. Your personal views.

Lieutenant Colonel Harris. The contract as signed, in my opinion, was an excellent contract, under the circumstances.

Mr. Hiss. I am referring, rather, to the construction carried out under the contract, the job in toto.

Lieutenant Colonel Harris. That was a splendid contract, because the Government paid $1 for the services.

Mr. Hiss. I am not sure of the date at which this was published, but it is a publication entitled "Old Hickory", published by the du Pont Co. in Wilmington, Del., a pamphlet of some 20 pages. At page 6 there is quoted a letter from C. C. Williams, Chief of Ordnance. Do you know whether Major General Williams was Chief of Ordnance, or can you tell the time he was Chief of Ordnance?

Lieutenant Colonel Harris. He was Chief of Ordnance from early in 1918 until 1930.

Mr. Hiss. The last two paragraphs quoted from General Williams' letter are as follows, this being a letter presumbably to the du Pont Co. [reading]:

> The history of what you have done at Nashville—

That is where Old Hickory was located?

Lieutenant Colonel Harris. Yes.

Mr. Hiss (continuing):

> The history of what you have done at Nashville is paralleled by the very satisfactory and uniform fulfillment of your expectations on practically all other work you have undertaken for the Government.
>
> It is therefore a distinct pleasure to express to you the very sincere appreciation of the Ordnance Department for the highly efficient and fruitful part your company has played in the development of the munitions supply.

This contract as finally signed on March 23, 1918, provided for no profit in the construction, did it not?

Lieutenant Colonel Harris. $1.

Mr. Hiss. That was a rather unusual provision in a contract in those days, was it not, Colonel Harris?

Lieutenant Colonel Harris. I would say so. We had a number of people working for the Government also for the compensation of $1.

Mr. Hiss. I offer for the record a memorandum dated December 13, 1917, signed by H. M. Pierce, chief engineer.

(The memorandum referred to was marked "Exhibit No. 1117" and is included in the appendix on p. 3124.)

Mr. HISS. Mr. Pierre du Pont, would you just keep a copy of that in front of you? Mr. Pierce, who signs this as chief engineer, was the chief engineer of the du Pont Co. throughout the year 1917, was he, Mr. du Pont?

Mr. PIERRE DU PONT. He was.

Mr. HISS. You will notice that in the first paragraph of this memorandum Mr. Pierce states:

> Diplomatic relations between the United States and Germany being broken on February 3, 1917, and we, realizing the powder situation in the United States and the advisability of locating a new powder plant to comply with the rulings of the War College, started our engineers on February 7 collecting data on stream flow and study of topographical maps for a smokeless-powder-plant location to comply with the rulings of the War College, since none of our plants complied with these rulings.

Was that as a result of negotiations with the War Department, Mr. du Pont?

Mr. PIERRE DU PONT. I think not at the time. Our executive committee had passed a resolution authorizing this investigation in the early part of April, but this particular investigation was started without the executive committee's command. I think it had no relation to the War Department, but I may be quite mistaken in that.

Mr. HISS. Was this investigation preparatory to a plant being built by the du Pont Co. for its own operation?

Mr. PIERRE DU PONT. We did not know. Our plants were located near the seaboard and evidently in vulnerable position in the event of enemy attack. We thought some preparation should be made to move into the interior, either through our own building or Government buildings or that of some other party.

Mr. HISS. At this time—namely, February 1917—was your company considering the problem of the proper utilization after the war of excess plant capacity developed during the war?

Mr. PIERRE DU PONT. I think we realized almost at the beginning that that plant capacity would be perfectly useless after the war, excepting the real estate that might remain.

Mr. HISS. I call your attention to a meeting of the executive committee on February 5, 1917, of which I have not a complete report. I should appreciate it if you would furnish us with a copy of the resolution. In this the development department reported on the utilization of plant capacity after the war, and the development department was directed by the executive committee to confine its efforts to the development of five fields of industry, namely, dyestuff and allied or organic chemicals, vegetable oil industry, paint and varnish, water-soluble chemicals, and industries related to cellulose and to cotton purification.

This was an attempt to prepare your excess plant capacity for use, or was it an investigation looking toward new construction?

Mr. PIERRE DU PONT. It is hard to say what you mean by excess plant capacity. The powder plants were useful as such, but the nitric-acid and sulphuric-acid plants, connected with the water supply, were possibly useful for other purposes, and it was of those facilities that the investigation was made. The actual powder plant, of course, had no relation to any industrial development.

Mr. Hiss. And the purification of cotton which was done for powder could be used for various cellulose products?

Mr. Pierre du Pont. Yes.

Mr. Hiss. I offer this letter dated March 22, 1917, as an exhibit.

(The letter referred to was marked "Exhibit No. 1118" and is included in the appendix on p. 3125.)

Mr. Hiss. On March 22, 1917, you, Mr. du Pont, wrote a letter to the then Secretary of War, Mr. Newton D. Baker, in which you submitted some data with respect to the production of military explosives and raw materials. On the first page of the enclosed memorandum you stated that your orders with the Allies were sufficient to run your plants at their full rated capacity of 27,500,000 pounds per month until September 15, 1917.

On the second page you stated that the du Pont Co. bought nitrate of soda for the Hercules Powder Co. and the Atlas Powder Co. under a court dissolution decision. In 1912 there was a consent decree entered in an antitrust suit; is that correct, Mr. du Pont?

Mr. Pierre du Pont. Yes.

Mr. Hiss. And under that decree the Hercules Powder Co. and the Atlas Powder Co. were established?

Mr. Pierre du Pont. That is right.

Mr. Hiss. And after they were established the du Pont Co. purchased nitrate on behalf of the Hercules Powder Co. and the Atlas Powder Co.?

Mr. Pierre du Pont. They were given that right under the dissolution decree.

Mr. Hiss. I have been unable to find that particular sentence. I wish you could have somebody point it out.

Mr. Pierre du Pont. I think possibly is it a general right to use facilities.

Mr. Hiss. Mr. du Pont, nitrate of soda was an essential item in the making of powder, was it not?

Mr. Pierre du Pont. It was at that time; yes.

Mr. Hiss. So if you controlled the price which Hercules and Atlas had to pay, you would control their output of powder?

Mr. Pierre du Pont. We could not control, because under the arrangement with them they were entitled to the same price we paid.

Mr. Hiss. Whatever price you paid?

Mr. Pierre du Pont. Yes; with possibly some kind of a commission. I am not sure about that. But the commission was agreed upon in the dissolution suit.

Mr. Hiss. What right did they have to call upon you for delivery of nitrate, if you did not have enough for your own uses?

Mr. Pierre du Pont. I do not remember the exact arrangement with them, but I presume they notified us of their requirements in time for us to purchase in Chile.

Mr. Hiss. You had no difficulty in those days in getting all the nitrate that was necessary?

Mr. Pierre du Pont. Not before the war; no.

Mr. Hiss. You mean before the United States went into the war?

Mr. Pierre du Pont. No; I mean before the Great War started.

Mr. Hiss. This letter is March 22, 1917. As of this time, do you remember?

Mr. PIERRE DU PONT. There was grave doubt about the nitrate supply. Nitrate had to be brought from Chile, brought through the Canal, which was not in hundred-percent condition at the time. We were obliged to make arrangements to carry the nitrate across the continent by rail, in the event of failure of the Canal. So that situation was not at all assured. Of course, there was the question of enemy attack then, even before the United States went into the war.

Mr. HISS. Do you know what the obligations of your company were to turn over to Hercules and Atlas nitrate, if you did not have enough for your own needs? [1]

Mr. PIERRE DU PONT. I have no recollection that there was any obligation.

Mr. HISS. Were they permitted under the arrangement with you to buy from any source other than your company?

Mr. PIERRE DU PONT. I believe so; yes.

Mr. HISS. You believe they were?

Mr. PIERRE DU PONT. If this is important, I would like to look up the exact standing, because my recollection is very faint on it.

Mr. IRÉNÉE DU PONT. The thing to do is to go right to the original document. Do not depend on memory 17 or 18 years ago.

Mr. HISS. If you will, submit copies of the contracts.

Mr. ELIASON. Yes.

Mr. HISS. On the next page, Mr. du Pont, the last paragraph:

> In our judgment, the users of nitrate in this country, other than the above, have about 3 months' supply on hand and have contracts for delivery in this country for the balance of the year.

Do you know what users of nitrate you were referring to?

Mr. PIERRE DU PONT. Of course, there was a large fertilizer industry. I do not know what condition they were in at the time. And there were other large manufacturers of acids and, of course, other manufacturers of commercial explosives.

Mr. HISS. Mr. Gregg has pointed to a particular paragraph in the consent decree filed June 13, 1912, in the District Court of the United States for the District of Delaware, in the case of *The United States*

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[1] 3 contracts dated Jan. 15, 1913, between the du Pont Co. and the Hercules Powder Co. and 3 contracts of the same date and covering the same matters between the du Pont Co. and the Atlas Powder Co. were furnished to the committee in response to the above request and are in the committee's files. Under these contracts (1) Hercules and Atlas agreed to buy all of their requirements of nitrate of soda and of crude glycerine exclusively from the du Pont Co. at cost plus a commission of 1¼ percent for nitrate and of 1⅛ percent for glycerin; this feature could be canceled by Hercules or Atlas on 1 year's notice; (2) Hercules and Atlas were entitled to use the facilities of the du Pont purchasing department for other supplies at cost plus a commission of $\frac{85}{100}$ percent (on July 31, 1914, this commission was reduced to ¾ percent for the Atlas Co.); (3) information contained in the du Pont Co. trade bureau as of Dec. 31, 1912, was made available to the Hercules and Atlas companies upon request at cost of compilation and delivery; (4) Hercules and Atlas agreed to pay a proportion of the expenses of the du Pont facilities in reference to experimentation, development of the art and scientific research in the respective fields of dynamite, B. blasting powder, black sporting powder, and smokeless sporting powder whenever used by Hercules and Atlas, based upon the relation the gross output of each company of each of the listed articles bore to the total output thereof by all companies, including the du Pont Co., using the facilities; this was terminable by Hercules or Atlas at the end of any year on 6 months' notice; (5) the contracts were to continue for 5 years terminable by Atlas or Hercules, except in the respects indicated above. on 3 months' notice.

Under date of May 9, 1935, the du Pont Co. notified the committee that by agreements dated Dec. 31, 1917, Oct. 26, 1918, and Dec. 31, 1919, the exclusive arrangements as to nitrate of soda, crude glycerine, and refined glycerin were extended to December 1920. The Dec. 31, 1917, agreement included sulphur within the exclusive arrangement. Copies of all the agreements are in the committee files.

of America v. *E. I. du Pont de Nemours & Co., and others.* At page 8, paragraph 13, of the decree, the final decree, it says:

> During a period of at least 5 years—

This is an obligation imposed on all of the defendants, I judge. There is no subject to the sentence.

Mr. GREGG. What do you mean? This paragraph you are reading here?

Mr. HISS. Yes. That means all of the defendants named in the suit, doesn't it?

Mr. GREGG. No; it means E. I. du Pont de Nemours & Co.

Mr. HISS. On page 3 of the consent decree, the order is that a plan be adopted by 27 named defendants, including the du Pont Co., and the thirteenth paragraph in that order is that during a period of at least 5 years there shall be furnished to each of two corporations to be established such facilities, information, and use of organization as E. I. du Pont de Nemours & Co. may operate or possess in reference to the purchase of materials, experimentation, development of the art and scientific research, as said two corporations—they were the Atlas and Hercules—may desire from time to time in the interest of their business and upon some reasonable terms as to the cost thereof to said two corporations. Pursuant to that clause, specific contracts were entered into, including nitrate of soda; is that right? [1]

Mr. GREGG. I presume so.

Mr. HISS. If we may have copies of those contracts, that will clear it up.

Mr. Pierre du Pont, in 1917 do you know whether any of the officers or major stockholders of your company were also stockholders of either the Hercules or the Atlas Powder Co.? [2]

Mr. PIERRE DU PONT. I believe there were. I think the records have been presented here.

Mr. HISS. In 1917?

Mr. PIERRE DU PONT. I thought that record was presented. Maybe that record only relates to recent days.

Mr. HISS. I have here simply a summary of dividends received by certain of the officers and directors.

Mr. PIERRE DU PONT. I believe quite a number of them were interested in the stocks of those companies.

Mr. HISS. And you believe that has been furnished?

Mr. PIERRE DU PONT. I thought it had, but I may be mistaken about it.

Mr. IRÉNÉE DU PONT. I do not know what date that was.

Mr. PIERRE DU PONT. In 1917.

Mr. IRÉNÉE DU PONT. I think the data furnished of the holdings of the Atlas and Hercules Powder Cos. were as of September this year.

Mr. HISS. I think so.

Mr. IRÉNÉE DU PONT. You asked for it and we give it that way.

Mr. HISS. I think so.

Mr. IRÉNÉE DU PONT. At least, I did.

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[1] See footnote on p. 2935 for information regarding Atlas and Hercules contracts.

[2] The du Pont Co. later supplied the list of Hercules and Atlas stockholders as of Jan. 1, 1917. See appendix, p. 3160.

Mr. Hiss. Will you give us, Mr. Eliason, the 1917 stock holdings that were held by officers and directors of the du Pont Co.?

Mr. Pierre du Pont, in the spring of 1917 did your company formally launch upon the manufacture of dyes?

Mr. Pierre du Pont. I believe it was about that time. Undoubtedly there is a record of the executive committee on that subject.

Mr. Hiss. The only record I have been able to find that seemed to point to a specific date was a meeting of April 3, 1917, just before the declaration of war, and the resolution stated that there had been an agreement made with Mr. M. R. Poucher to deliver $100,000 worth of common stock at the then market value, whenever the company decided to engage in the dye industry.

The resolution further recited that as the company had decided to engage in the dye industry and had on April 2 appropriated money for an auramine plant, the stock should be delivered to Mr. Poucher.

That would be the official beginning of the company's entrance into the dye field?

Mr. Pierre du Pont. I would think so; yes.

Mr. Hiss. Was construction undertaken by the company in connection with the dye industry in this period—1917?

Mr. Pierre du Pont. Could you state?

Mr. Irénée du Pont. It certainly was started about that time. I certainly could not tell you what was done personally.

Mr. Hiss. Mr. du Pont, I call your attention to extracts from the minutes of a meeting of the General Munitions Board held on Wednesday, April 11, 1917, which are offered as an exhibit, at which were present Colonel Dunn, Major Pierce, Paymaster Hancock, Mr. Summers, Mr. Eisenman, Mr. Rosenwald—do you know what Mr. Rosenwald that was, Colonel?

Lieutenant Colonel Harris. Mr. Julius Rosenwald, I imagine.

Mr. Hiss (continuing). Mr. Scott, and Mr. Bolton, secretary.

(The minutes referred to were marked "Exhibit No. 1118–A" and are included in the appendix on p. 3129.)

Mr. Hiss (reading):

> Mr. Scott advised the Board that a conference had been held yesterday with the Du Pont powder people, in which meeting a possible shortage of powder was mentioned and that further data on this subject was being compiled by the Du Pont people and would be submitted by them at an early date.

Then, in this same connection, there was a meeting on April 16, 1917, of the same Board, extracts of the minutes of which I will offer for the record.

(The minutes referred to were marked "Exhibit No. 1119" and are included in the appendix on p. 3129.)

Mr. Hiss. At which the chairman—Mr. Scott being in the chair—

> reported that a conference had been held yesterday with Colonel Dunn—

That is the day before, April 15—

> and representatives of the Du Pont Powder Co., at which it was decided that the facilities of the Aetna Explosives Co. would probably not be needed.

At this time you were of the opinion that there was serious danger of an extreme powder shortage, were you not, Mr. du Pont?

Mr. Pierre du Pont. Yes, sir.

Mr. Hiss. Do you remember on what basis it was thought that the facilities of the Aetna Explosives Co. would not be needed, if there was a demand for powder?

Mr. Pierre du Pont. I did not know until today that was decided upon. I had never heard of it before.

Mr. Hiss (continuing reading):

> Major Pierce suggested that, due to the location of the Aetna Explosives Co.'s plants, it might be advisable to keep them in operation.
>
> Colonel Dunn and Mr. Summers were appointed a committee to look into this matter further.

Then the following day, April 17, a further meeting was held, extracts of the minutes of which I offer for appropriate number.

(The minutes referred to were marked "Exhibit No. 1120" and are included in the appendix on p. 3129.)

Mr. Hiss. That states [reading]:

> Mr. Summers presented a verbal report on conferences held with the representatives of the du Pont Powder Co. in connection with the advisability of continuing the Aetna Powder Co., who at present are in financial trouble. Mr. Summers reported that the Aetna people had had valuable experience in the manufacture of smokeless powder. * * *
>
> In connection with this matter. Mr. Summers pointed out the very great possibility of shortage in Army requirements and estimates.

Were you of the opinion that the then existing Army estimates were inadequate and did not call for a sufficient amount of powder, Mr. du Pont?

Mr. Pierre du Pont. The only record I have in April, I believe, is a statement issued, I think, by Colonel Harper, the day after the declaration of war in April, which indicated that for that year a very small amount of powder was needed.

Mr. Hiss. And you felt that that was an inadequate estimate?

Mr. Pierre du Pont. Certainly I did; yes.

Mr. Hiss. Returning again to the document which has been marked "Exhibit No. 1117", the memorandum of Mr. Pierce, you will notice in the first part of the paragraph the following statement:

> On April 21, at our request, a letter was obtained from General Crozier, of the Ordnance Department, which was in the nature of a passport for our engineers to visit water intakes and structures that were under guard from alien enemies.

According to that paragraph, it was at your request, and not at the War Department's request, that you wanted your engineers to visit sites for powder plants. Is that correct?

Mr. Pierre du Pont. I believe that is the case; yes, sir.

Mr. Hiss. I show you a letter dated April 21, 1917, addressed to Mr. F. A. Scott, chairman of the General Munitions Board, and signed by Mr. Jay E. Hoffer, lieutenant colonel, Ordnance Department.

(The letter referred to was marked "Exhibit No. 1121" and is included in the appendix on p. 3130.)[1]

Mr. Hiss. The first paragraph states [reading]:

> 1. As the personal representative of the General Munitions Board in this particular matter, I submit the following report of the conference held in the Office of the Chief of Ordnance on April 20, 1917, with companies who are manufacturers of nitrocellulose smokeless powder. These companies, with their representatives present, are named below:

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[1] Entered into further in Hearings, Part XVII, p. 4173.

E. I. du Pont de Nemours & Co., Wilmington, Del.: Col. E. G. Buckner, vice president, Mr. C. B. Landis, Mr. H. F. Brown, Maj. K. K. V. Casey, and Mr. L. R. Beardslee.

Aetna Exposives Co., Inc., 120 Broadway, New York City: Col. Odus C. Horney.

Hercules Powder Co., Wilmington, Del.: Mr. J. T. Skelley, vice president.

Western Powder Co., Alton, Ill.: Mr. F. W. Olin.

The second paragraph says [reading]:

> 2. These four companies had been previously advised that the present and anticipated needs of the Ordnance Department of the Army for smokeless powder during the next 12 months amount to 26,500,000 pounds of caliber .30 powder, 42,000,000 pounds cannon powder of web thickness less than .05, and approximately 10,000,000 pounds seacoast cannon powder for 6-inch guns and above.

The total of those three items, which is not given in the letter, is 78,500,000 pounds.

The third paragraph contains estimates by the various companies as to their possible production.

Under the heading " Caliber .30 powder " it appears that the du Pont Co. estimated that they could produce 1,500,000 pounds per month from May 1 to October 1, which would be a total of 7,500,000 pounds, and 3,175,000 pounds per month commencing October 1, which would be a total, going on the 12 months' basis, of 22,225,000 pounds, or a grand total of 29,725,000 pounds to meet the total Army requirement for .30 caliber powder.

Under the next heading, " Cannon powder, web thickness less than .05 ", the du Pont estimate, beginning with November, which is stated on the next page, was 23,000,000 pounds, so that in November and December alone more than the total estimated requirements of cannon powder could be produced by the du Pont Co.

Under the heading of " Seacoast cannon powder " the statement is made [reading]:

> E. I. du Pont de Nemours & Co. submitted a schedule under which the entire requirements of the Army could be completed by January 1918 and the entire Navy requirements within the time indicated by the representative of the Bureau of Ordnance, Navy Department, as desirable.

Under paragraph 4 it states [reading]:

> The du Pont Co. is willing to furnish caliber .30 powder, water dried, at 60 cents per pound; cannon powder, water dried, at 47½ cents per pound; and air-dried cannon powder at 50 cents per pound.
>
> The Hercules Powder Co. is willing to furnish caliber .30 powder, water dried, at 62½ cents, air-dried at 65 cents a pound, and cannon powder of web thickness less than .05, water dried, at 47½ cents, based upon present cost of raw materials and ability to procure the same.

Those raw materials, at least to the extent of nitrate of soda, being purchased by you at that time.

Turning over to the next page, paragraph 6 states [reading]:

> The companies were informed that it is not the present policy to urge an increase of capacity where existing free capacity is in excess of estimated requirements.

At this same time your engineers were being sent to the field, according to Mr. Pierce's memorandum, if you will look at the third paragraph of the memorandum. There you will see the statement, on April 25—it was on April 21, the date of this letter, that the permission was secured from General Crozier for a passport for your engineers to visit various places, and on April 25 two of your locating engineers were sent from your Wilmington office to the field.

In other words, you disagreed with the estimate of the Army at that time?

Mr. Irénée du Pont. May I point out one thing which you seemingly did not observe? Take, for instance, the cannon-powder schedule: 1,650,000 in June, 3,350,000 in July, 2,220,000 in August, 1,600,000 in September, and 1,350,000 in October, and then it jumps to 23,000,000 in November. Of course, we had no new plants coming in which made such a jump. It simply meant that the foreign governments' contracts had expired and all the powder going to them might have been turned over to the United States, but that would leave the Allies short on their requirements of powder, and they were depending on us.

Mr. Hiss. Paragraph 7 of the letter states, in the last sentence [reading]:

> These last prices are lower than the present cost of manufacturing this powder at the Army powder factory.

Mr. Irénée du Pont. What page is that, please?

Mr. Hiss. The last page of the letter, just above Hr. Hoffer's signature, the page with Mr. Hoffer's signature on it.

Mr. Irénée du Pont. Paragraph 7?

Mr. Hiss. Paragraph 7. The first two sentences state specific prices. I will read the whole paragraph:

> In November 1916 the Department placed orders for air-dried cannon powder at 52 cents and 53 cents a pound, and for water-dried cannon powder at 51 cents and 52 cents a pound. Orders were placed on April 10, 1917, for water-dried cannon powder at 47½ cents a pound and air-dried powder at 50 cents a pound. These last prices are lower than the present cost of manufacturing this powder at the Army powder factory.

Did you at a later time, Mr. Pierre du Pont, see an estimate prepared by Indian Head, the Navy producing plant, as to cost of powder at about this same time?

Mr. Pierre du Pont. I believe there was one; yes, sir; showing, I think, 32 cents per pound.

Mr. Hiss. Yes.

Mr. Pierre du Pont. But I think that was the bare labor and material cost and did not include many items that the ordinary manufacturer would have to include, but I am not sure of that because no details were given.

Mr. Hiss. We will refer to that specifically later on.

Mr. Irénée du Pont. In that connection, would it be proper to ask what the actual cost at Indian Head was on powder which they produced at this time?

Mr. Hiss. We can take it up now, if you would like.

Mr. Irénée du Pont. I thought it might be very interesting, because I understood them to say they used nine-tenths of 1 pound of alcohol per pound of powder, and during the war period we whittled it down to three-tenths of a pound, and the difference between nine and three made a differential of six-tenths on that one item, on which we had that advantage, I know.

Mr. Hiss. If you do not mind, let us wait until we reach the date when it was actually submitted, which was a couple of months later.

Attached to this letter from Mr. Hoffer is a proposed draft of a letter to the Chief of Ordnance. The first paragraph reads:

> The General Munitions Board, having been verbally requested by you to determine what is a fair and just price to be paid by the Government to the manufacturers of smokeless powder required to be made for the Army during the next 18 months, and having made what is considered a satisfactory investigation, recommends to you as fair and just the prices shown on the following table, which prices are to be exclusive of the cost of container and f.o.b. contractor's works—

No. 1 are substantially the prices stated before—namely, 60 cents a pound for caliber .30 powder, water dried, and 62 cents if air dried; 47½ cents for cannon powder, if water dried, and 50 cents if air dried; and 50 cents a pound for seacoast cannon powder, if air dried, and no quotation for water dried.

The next document in the same folder does not bear a signature. If you could look that up for us, Colonel, we would like to know whether or not the letter was actually adopted on April 27, 1917.

Lieutenant Colonel Harris. Any identifying numbers on it?

Mr. Hiss. You might have a look at it [handing paper to witness].

Referring back again to Mr. Pierce's memorandum [reading]:

> Between April 25 and July 12 these engineers covered Tennessee, parts of Alabama, Kentucky, Illinois, Indiana, West Virginia, and the southwestern part of Virginia in search of suitable locations for smokeless-powder plants.

That was at the same time that recommendations had been made in the letter of April 21, 1917, previously referred to, paragraph 6 reads:

> The companies were informed that it is not the present policy to urge an increase of capacity where existing free capacity is in excess of estimated requirements.

Then, referring to the bottom of the paragraph of "Exhibit No. 1117", the memorandum by Mr. Pierce, we find the following:

> You are familiar with the work done by Colonel Buckner during approximately this entire time in endeavoring to bring the serious situation regarding lack of powder-manufacturing capacity before the proper authorities in Washington, this we understand being finally accomplished by the 1st of October.

He was the vice president of your company in charge of military sales at that time?

Mr. Pierre du Pont. Yes, sir.

Mr. Hiss. On June 4, 1917, according to the minutes of your executive committee, there was a discussion but no action in regard to increasing military-powder capacity. Wherever I refer to them will you get the copies?

Mr. Eliason. You do not have that?

Mr. Hiss. We did not get the complete statement, and when furnished will be used to verify whatever I may read by way of paraphrase.[1]

Mr. Eliason. The date was what?

Mr. Hiss. June 4, 1917. A resolution was passed to have the engineering department request an appropriation to build additional smokeless-powder capacity at Carneys Point, Haskell, and Parlin. They were three of the smokeless-powder plants?

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[1] The copies of executive committee minutes were later supplied by the du Pont Co. and appear in the appendix on p. 3161.

Mr. Pierre du Pont. Yes, sir.

Mr. Hiss. And to use gun-cotton capacity at Hopewell not now being used of about 5,000,000 pounds a month.

Do you remember this particular incident to which this refers?

Mr. Pierre du Pont. No; I do not, but I have no doubt it is true.

Mr. Hiss. On June 7 the executive committee resolved to spend $3,000,000 to increase the smokeless-powder capacity, it being stated that $1,000,000 would have to be spent for renovation anyway, and further resolved to spend perhaps $1,000,000 more, if the cost can be amortized over orders which the Allies may be willing to give, should they deem it advisable and desirable to have this increased capacity to take care of 5,000,000 pounds excess at Hopewell.

Colonel Buckner reported 227,760,000 pounds which had been offered to the French and British and had not yet been sold and recommended against additional construction until orders were actually in hand.

On June 26 the committee decided, or it was learned that a contract has been signed to furnish the Hercules Co. with 2,000,000 pounds of gun cotton a month, which took care of 2 million of the 5 million being produced at Hopewell. It was therefore decided to reduce the capacity to 3,000,000 pounds of gun cotton as a basis.

Mr. du Pont, it seems from this account that at this particular time your company was not desirous, as a business risk, of entering into large expansion in the smokeless-powder field.

Mr. Pierre du Pont. I should say not.

Mr. Hiss. You did not feel that it was a justifiable business risk for the du Pont Co. to assume?

Mr. Pierre du Pont. We had only two or three customers and if they were not ready to take the powder, there was no use building the factory for them.

Mr. Hiss. But you stated you felt convinced and had been urging upon the War Department the fact that there was likely to be a great shortage of powder?

Mr. Pierre du Pont. Yes, sir.

Mr. Hiss. You were not sufficiently convinced of the estimate to justify investing money of your own in building additional plant capacity?

Mr. Pierre du Pont. It was the War Department's problem to determine the question, and we had no control of it.

Mr. Hiss. On June 30, 1917, General Crozier, then Chief of Ordnance, wrote to Mr. Scott, chairman of the General Munitions Board, a letter which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 1122" and is included in the appendix on p. 3133.)[1]

Mr. Hiss. That states, in part [reading]:

> I have recently had a conference with the representatives of the E. I. du Pont de Nemours & Co., who have urged that the price of the caliber .30 powder manufactured after December 31, 1917, and the price of the cannon powder manufactured after February 28, 1918, be increased 2 cents a pound to meet the increase in the price of manufacture, especially due to the increased cost of raw materials. These increased prices are less than the prices at which the powder can be manufactured at the Army powder factory at Picatinny Arsenal, and from our careful observation of the prices of raw materials, I am satisfied that the increased price after the dates indicated is fair and just, as compared with the prices recommended in my letter of April 21, 1917, and concurred in by the General Munitions Board.

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[1] Entered into further in Hearings, Part XVII, p. 4174.

He apparently refers to the letter signed by Mr. Hoffer. [Reading:]

> I am, therefore, placing orders which obligate the Government to pay the increased prices referred to above, and in the procurement of additional quantities it may be necessary to make further concessions in price for the same causes.

Again, there is no reference to the Indian Head costs, which, so far as I know, were not available, the momorandum on that being dated in October.

Mr. PIERRE DU PONT. Might I ask whether you have the letter of April 7 from the War Department addressed to the E. I. du Pont de Nemours Co.?

Is that the one which you read from?

Mr. HISS. I do not recall it.

Mr. PIERRE DU PONT. I would like to identify it, if I may. I have a memorandum of such letter, giving the requirements of the Army and Navy, and I am not sure that it corresponds with what you read. Would you mind looking at that, because, if it does not correspond, I would like to have it put in the record, until we can determine the question.

Mr. HISS. I think the top one is the same [examining paper].

May I just read the document which has been put in evidence?

Mr. PIERRE DU PONT. I think the quantities were the same, but I am not sure.

Mr. HISS. The figure given for caliber .30 was 26,500,000.

Mr. IRÉNÉE DU PONT. Right.

Mr. HISS. For cannon powder, web thickness less than .05, 42,000,000, and for seacoast powder, 10,000,000. Yours is 9,000,000.

Mr. IRÉNÉE DU PONT. 9,480,000.

Mr. PIERRE DU PONT. That is for 12 months.

Mr. HISS. For 12 months beginning April 1.

Mr. PIERRE DU PONT. There are no Navy requirements there.

Mr. HISS. No, sir; there are no Navy requirements there.

Again referring back to Mr. Pierce's memorandum, between July 12 and July 28 your company was working up data collected by the field engineers for making a report on the same. From

> July 28 to August 3, two engineers were in the field reconsidering locations and a definite recommendation was made for the selection of the Charleston site.

The latter became the site of the plant known as Nitro, did it not?

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. During this time from February 7, shortly after the breaking off of diplomatic relations, down to August 3, when the recommendation was made for the selection of the Charleston site, it would appear that that was primarily in order to make a site for a plant to be constructed by the Government rather than a plant for your own construction. Is that correct?

Mr. PIERRE DU PONT. It might have been either.

Mr. HISS. I mean a plant to be financed by the du Pont Co., when I say a plant of your own construction.

Mr. PIERRE DU PONT. I am not certain that there was any determination as to which it would be, but it seems rather immaterial.

Mr. Hiss. It would appear from the references to the executive committee's minutes that the company was not desirous of embarking upon increasing its own capacity on any very large scale.

Mr. Pierre du Pont. I think that is true, certainly.

Mr. Hiss. But, nevertheless, thorough examinations were being made throughout the country for sites for a large powder plant on July 30, 1917, as shown by a letter from E. G. Buckner to Mr. Scott, chairman of the Munitions Board, which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 1123" and is included in the appendix on p. 3133.)

Mr. Hiss. Page 2, the second paragraph, states [reading]:

> There are in existence a small number of competitors of the du Pont Co.—we do not know whether their capacity has been sold or not—but we are inclined to believe that they probably have some unsold capacity. We do not think it will amount to a large quantity compared to the total requirements.

Your company was, far and away, the preponderant producer of smokeless powder?

Mr. Pierre du Pont. On account of orders of the Allies.

Mr. Hiss. The next paragraph states [reading]:

> The only suggestion we can make is that steps be taken at once to augment the supply of powder by building additional plants. To this end we have prepared plans by which 3,000,000 pounds per month additional capacity can be provided beginning with the month of January 1918, which would require an amortization charge aggregating approximately $4,500,000.

That is probably the 3,000,000 referred to in the executive committee minutes. Gun cotton is required pound for pound for smokeless powder, is it not?

Mr. Pierre du Pont. About that.

Mr. Hiss (reading):

> Beyond this, we could build plants to supply an additional 10,000,000 pounds of powder per month, but this capacity could not be made available in less than 12 months' time.

The reference to an amortization charge, Mr. du Pont—if the company had decided to expand, there would have been an amortization charge against the price of the powder?

Mr. Pierre du Pont. Yes.

Mr. Hiss. So that the fact that you have referred to two or three times in the hearings, that no amortization charges were made against the United States, was simply because the plants happened to have been already built at a time that the United States was requiring powder in large quantities? You would have had to charge them otherwise? Is that correct?

Mr. Pierre du Pont. Yes. The charge—in this case—was finally reduced, later on, to 9 cents per pound amortization.

Mr. Hiss. On the 3,000,000 pounds excess?

Mr. Pierre du Pont. It was a 40,000,000-pound contract, with a 9-cent amortization charge.

Mr. Hiss. To be furnished over a period of months out of the new 3,000,000-pound capacity?

Mr. Pierre du Pont. That contract was closed in 1917. I think you will come to that later.

Mr. Hiss. I do not have any reference to it. I wanted to make sure that the 3,000,000 pounds additional capacity, to which we referred before, was later made the subject of a contract calling for a total delivery of 40,000,000 pounds over a sufficient number of months, to be determined by dividing 3 into 40, with a 9 cents per pound amortization charge.

Mr. **Pierre du Pont**. Yes, sir; I do not know whether the contract covered a greater period or not.

Mr. **Irénée du Pont**. The 30 cents applies to a 10-million-pound per month capacity.

Mr. **Pierre du Pont**. There are two ideas: The 9 cents does not apply to the first one.

Mr. **Hiss**. Of the first two sentences which I read, the second one refers to the amortization charge which I had in mind. That says:

> An amortization charge of $4,500,000 for 3,000,000 pounds per month capacity.

Mr. **Pierre du Pont**. Yes, sir.

Mr. **Hiss**. And does not say specifically how many cents per pound. I think it is 9 cents a pound on 50,000,000 pounds.

Mr. **Pierre du Pont**. Nine cents a pound on 40,000,000 pounds, approximately $3,600,000.

Mr. **Hiss**. But, as indicated in the executive committee minutes, that was for an excess capacity you already had of guncotton.

Mr. **Pierre du Pont**. Right.

Mr. **Hiss**. Three million pounds of which was unsalable.

Mr. **Pierre du Pont**. That is correct; yes, sir.

Mr. **Hiss**. Did you have any other market for that 3,000,000 pounds at that time?

Mr. **Pierre du Pont**. I think not at that time.

Mr. **Hiss**. Then, again, on August 9 there is a letter from Mr. Buckner to Mr. Scott, which encloses a letter from Mr. Buckner to a man who is apparently a Russian purchasing officer, refusing an order for 18,000,000 to 20,000,000 pounds of smokeless powder, and emphasizing the fact that there is great need for additional capacity.

(The letters referred to were marked "Exhibit No. 1124" and are included in the appendix on p. 3135.)

Mr. **Hiss**. If you will refer to the letter of October 4, 1917, from Colonel Hoffer, the Ordnance Department, to the War Industries Board, you will notice in the first paragraph that the new requirements estimated by the Army are now 315,000,000 pounds, prior to September 1, 1918, approximately 12 months from October 4 to September 1, actually less than 12 months, whereas the previous one of April 21 had been a total of 78,500,000 pounds.

(The letter referred to was marked "Exhibit No. 1125" and is included in the appendix on p. 3136.)

Mr. **Pierre du Pont**. There was that intermediate letter of July 30, "Exhibit No. 1123," which gave 123,000,000 for the Army and Navy. I think you read that, did you not?

Mr. **Hiss**. Was that on a 12 months' basis?

Mr. **Pierre du Pont**. I am not sure.

Mr. **Hiss**. I have the record of that.

Mr. **Pierre du Pont**. My memoranda does not show the time.

Mr. **Hiss**. Referring back again to Mr. Pierce's memorandum, "Exhibit No. 1117," I call your attention to the statement that——

Mr. Pierre du Pont. That 123,000,000 was unfilled orders on our books at the time. I presume they covered not more than 12 months.

Mr. Hiss. I refer again to Mr. Pierce's statement that—

> You are familiar with the work done by Colonel Buckner during approximately this entire time in endeavoring to bring the serious situation regarding lack of powder manufacturing capacity before the proper authorities in Washington, this we understand being finally accomplished about the first of October.

I assume this letter of October 4 represents the final acceptance by the War Department of your views as to the need of increased powder capacity.

Mr. Pierre du Pont. I would not say that, no, because their determinations certainly were not made on our recommendations, although what we said may have had something to do in the determination. But would it be fair to state at this time that we had the enormous powder-manufacturing capacity that had been prepared for the Allies, and the War Department would certainly learn that part of that was available for use, and it was quite a factor in the whole situation. I do not know how they figured it, but certainly those plants were available for the United States at any moment if they had chosen to take over the plants. Naturally that was a great safeguard in the situation, the existence of those plants. It was a tremendous safeguard in the whole situation.

Mr. Hiss. Referring back again to Mr. Pierce's memorandum, you will notice that on the same date of Mr. Hoffer's memorandum, to which I have just referred, that was addressed to the War Industries Board with a new estimate, on that date, according to Mr. Pierce, your company started to option property.

> On October 5 this optioning was stopped on account of the high prices of land. On October 22 to 28 one of our engineers, in company with Col. J. C. Nichols, of the Ordnance Department, visited the various sites and obtained the approval of the Ordnance Department through Colonel Nichols of two of the sites selected by us.

One of those was the Nashville site, and the other was the Charleston site?

Mr. Pierre du Pont. Right.

OLD HICKORY CONTRACT—ORIGINAL NEGOTIATIONS BETWEEN ORDNANCE DEPARTMENT AND DU PONT CO. FOR CONSTRUCTION OF OLD HICKORY

Mr. Hiss (reading):

> On October 23 our real-estate department resumed optioning the Charleston site.

Meanwhile, on October 8, 1917, a letter was written to the Chief of Ordnance on the letter head of your company, signed by you, I believe.

Mr. Pierre du Pont. Yes, sir.

(The letter referred to was marked "Exhibit No. 1126" and is included in the appendix on p. 3137.)[1]

Mr. Hiss. No. I think this is Mr. Buckner. I beg your pardon.

Mr. Pierre du Pont. I think there was a letter signed by me on October 8.

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[1] "Exhibit No. 1126" was entered into further in Hearings, Part XIV, on p. 3168.

Mr. HISS. This particular one, that just shown you, is signed by Mr. Buckner. It says:

> In accordance with your request of October 3—

The Chief of Ordnance at that time was General Crozier, was he not, Colonel Harris?

Lieutenant Colonel HARRIS. General Crozier, yes.

Mr. HISS (reading):

> we submit the following proposition to the Government:
>
> Whenever the words "du Pont Co." are used in this proposal, they shall be taken to mean either E. I. du Pont de Nemours & Co., a corporation, or a company to be organized by it for the purpose of carrying out this proposal if accepted.

Was the idea of a subsidiary corporation to build this factory part of the du Pont plan, that is, your conception of the proposition, from the beginning?

Mr. PIERRE DU PONT. This October 8 was preceded by a letter of Colonel Hoffer of October 3, making certain general recommendations as to an understanding of how this procedure was to take place, and we gave on the day following memorandum of what we should do, which was elaborated into this October 8 proposition.

Mr. HISS. At whose suggestion was the use of a subsidiary company introduced into the negotiations?

Mr. PIERRE DU PONT. At ours.

Mr. HISS. Do you remember the reason for that?

Mr. PIERRE DU PONT. The reason was that it was for the first time proposed that we should act as the agents of the Government. We did not know at all what that would mean in the way of obligations, so we decided that the best thing was to organize a separate company so as to settle once and for all the relations between the construction and operating company that we proposed and the United States Government.

Mr. HISS. This was a large proposal?

Mr. PIERRE DU PONT. It was very large.

Mr. HISS. Involving, if operated for 12 months, perhaps as much as $300,000,000?

Mr. PIERRE DU PONT. I think that was the estimate.

Mr. HISS. Your estimated cost was something like $90,000,000 at the beginning?

Mr. PIERRE DU PONT. Yes; something like that.

Mr. HISS. And the operating costs over a period of 12 months might make up the rest?

Mr. PIERRE DU PONT. Yes.

Mr. HISS. Do you remember what the capitalization of the subsidiary company was that you set up in order to carry out this proposition?

Mr. PIERRE DU PONT. I think it was comparatively small. Do you know?

Mr. IRÉNÉE DU PONT. I do not recall the amount. You have a record of it there.

Mr. PIERRE DU PONT. The result of that was a guaranty of the operations of the subsidiary company by our parent company, the E. I. du Pont de Nemours & Co. I think that covered the question of capitalization.

Mr. Hiss. The capitalization as appears from the records of the subsidiary company was 5,000 voting shares issued at a dollar a share, total capitalization $5,000. That is really all that the du Pont Co. risked in entering into this very large construction plan.

Mr. Pierre du Pont. It was the intention of that subsidiary company to cover the question of risk, excepting that the parent company guaranteed that the subsidiary company would carry out the contract.

Mr. Hiss. There was no risk involved in that guaranty, though, Mr. du Pont, was there?

Mr. Irénée du Pont. What was the idea of asking for it if there was not? There must be some cause for asking for a guaranty.

Mr. Hiss. If you were sued for any loss due to any explosions, that guaranty would not affect your liability, would it?

Mr. Pierre du Pont. In that particular case the Government proposed to hold us harmless, but I think the whole purpose was to settle this question of direct liability.

Mr. Hiss. May I restate the original question?

Your total capital which was risked in this adventure amounted to $5,000, did it not?

Mr. Pierre du Pont. I am not so sure about that, because it is a question of what the guaranty meant.

Mr. Hiss. Perhaps we can determine that as we go along.

Mr. Irénée du Pont. Mr. Gregg reminds me of it. I think there was also this question of the vouchers and the accounts of the company, so that we would not get all balled up with our own accounts as to what was what. We made a separate company, and the Government auditors checked everything that was paid on account. That made us an entirely separate organization, different rooms, buildings, and everything.

Mr. Hiss. In paragraph 3 of Mr. Buckner's letter of October 8, toward the end of that, is this statement:

> It being understood that in order to expedite construction and insure satisfactory and economical operation, the du Pont Co. shall be free to exercise its judgment as to the plans, materials, and equipment to be used in the construction of said plants and in the arrangement thereof.

Referring to the first part of that same paragraph:

> The du Pont Co. proposes to act as agent for the Government.

Is not this rather wide authority for an agent, the authority to exercise its judgment as to plans, materials, and equipment? So that the phrase "agent" does not mean the usual supervision of a principal over an agent, it merely means that you were carrying it out at the Government's behest; is that correct?

Mr. Pierre du Pont. And at the Government's expense, according to the proposed contract.

Mr. Hiss. But not the Government control over these particular items?

Mr. Pierre du Pont. That is right.

Mr. Hiss. Paragraph 4 [reading "Exhibit No. 1126"]:

> Any expenditure or obligation arising or growing out of the construction or operation of said plants made or incurred by the du Pont Co., together with any and all loss by accident, fire, flood, or explosion, arising or growing out of the construction or operation of said plants, will be for the account of the

> Government, who shall at all times indemnify and hold the du Pont Co. harmless therefrom, and the Government will at all times during the construction and operation of said plants furnish the du Pont Co. sufficient funds to enable it to meet and pay all bills.

The Government was to finance the operation as well as to pay the cost?

Mr. Pierre du Pont. Yes.

Mr. Hiss. Going back again to what I just read:

> Any expenditure or obligation arising or growing out of the construction or operation of said plants made or incurred by the du Pont Co., together with any and all loss by accident, fire, flood, or explosion, arising or growing out of the construction and operation of said plants, will be for the account of the Government who shall at all times indemnify and hold the du Pont Co. harmless therefrom—

Just what effect does that have on any guaranties that might have been given by the du Pont Co., since in return the Government reguarantees you?

Mr. Irénée du Pont. That sounds very well on paper. I suppose from an attorney's point of view it looks bullet-proof. But you know many things can happen on a deal like this, and many expenses might not be allowed.

Mr. Hiss. Paragraph 5, the next page [reading]:

> The Government will within 5 days thereafter—

That refers to the payment of expenditures on the first of each month—

> pay to the du Pont Co. as its charges for the following services, the following percentages on the total amount of such expenditures made during the previous month, viz. for drawing plans and engineering supervision from the Wilmington office, 5 percent; for purchasing and urging deliveries of material by Wilmington office, 2 percent; for compensation, including administration and other services rendered from the Wilmington office, 8 percent.

That is a total of 15 percent of cost, which, in a $90,000,000 contract, would come to $13,500,000 for the construction.

Mr. Pierre du Pont. Have you there the details of how that was made up?

Mr. Hiss. That was made up as I have just been reading from paragraph 5 of this letter.

Mr. Pierre du Pont. There were details submitted as to what part of that 15 percent was out of pocket, and our estimates varied from making no profit to a maximum of 6½ percent. The difference was actually out of pocket.

Mr. Hiss. Was not that submitted at a somewhat later date, on October 8?

Mr. Pierre du Pont. Before the contract was written. But the 15 percent was based on that estimate, although it was not so expressed in this letter.

Mr. Hiss. I think that document will be put in a little later, Mr. du Pont.

Paragraph 7 of "Exhibit No. 1126" says [reading]:

> This offer to act as agent for the Government in and about the matters set forth herein is conditioned that as units of manufacture are completed and ready for operation, the Government will appoint the du Pont Co. its agent to operate said units or plants for at least 18 months after their completion, if their plants are operated.

Going to the second part of paragraph eight—

> The Government will pay all the costs and expenses of the operation of said plants as and when they become due and payable, and in addition thereto will, on or before the 15th day of each month, pay to the du Pont Co. 5 cents per pound—

Five cents a pound. The estimated output of this plant was 1,000,000 pounds of powder a day. Five cents a pound on a million pounds a day was the fee for operating, and the Government guaranteed that that fee would be paid for 18 months.

Mr. Irénée du Pont. If you will read right on on that, sir, in your paragraph 8, it says:

> Five cents per pound on all powder manufactured and packed during the previous month as payment for main office supervision, administrative and purchasing expense, and compensation to du Pont Co.

It is not profit, that 5 cents a pound. It included the profit, but there were other expenses.

Mr. Hiss. Namely, main-office supervision, administrative and purchasing expense, and compensation.

Mr. Irénée du Pont. Yes.

Mr. Hiss. In other words, overhead in general, and compensation.

Mr. Irénée du Pont. Yes.

Mr. Hiss. There is a further provision that in addition to 5 cents a pound [reading]:

> Should the total mill cost of water-dried smokeless powder, exclusive of boxes, amortization, and depreciation of plants, but including all ingredients, labor in operation, labor and materials in repairs, power, transportation, general-works expense, works accidents, plant superintendence, be less than 44½ cents per pound in any month, the Government will pay the du Pont Co. one-half the difference between the said mill cost and 44½ cents per pound.

In other words, if you reduced the cost below 44½ cents a pound, in addition to the 5 cents a pound, you got half of the savings?

Mr. Irénée du Pont. We got half of the savings.

Mr. Hiss. So the 5 cents a pound does not represent the total possible fee for operation and overhead expenses.

On the next page [reading]:

> In case the Government requires a part of the powder to be air-dried, the mill cost basis, on such air-dried powder will be increased 2½ cents per pound.

That is, if it is to be air-dried, you get half the saving whenever you reduce it below 47 cents?

Mr. Irénée du Pont. Right.

Mr. Hiss. Then paragraph 10 [reading "Exhibit No. 1126"]:

> The Government shall have the privilege of canceling the agency at any time during the construction of these plants, in which event the du Pont Co. shall receive as compensation in lieu of the compensation herein provided 1 percent of $90,000,000 for each month—

That is $900,000 a month—

> for each month or section thereof elapsing between the date of the signing of said agency contract and the date of the cancelation thereof as aforesaid, which percentage it is hereby agreed covers full and fair compensation to the du Pont Co. for its service in and about the construction of said plants, but in no event shall this compensation be in excess of 15 percent of $90,000,000.

Mr. Hiss. In other words, $13,500,000 was the maximum set in the event of cancelation.

Mr. Pierre du Pont. That was for 5 months, was it not? That covered only a 5-month period?

Mr. Hiss. Not at this stage of the negotiations, Mr. du Pont.

Colonel Harris, that proposition which has just been read is by and large a cost plus contract, is it not? Cost of construction plus 15 percent?

Mr. Irénée du Pont. Cost plus a fee. The cost plus contracts are usually understood to mean cost plus a percentage of cost.

Mr. Hiss. The construction was cost plus a percentage of the cost. It was cost plus 15 percent of the construction cost, so that the higher the construction cost the higher the fee. On the operation it was a flat 5 cents a pound, plus half of any saving.

Mr. Pierre du Pont. May I observe here that this suggestion was made within 5 days of the first notice that we were expected to do anything of the kind, and naturally would be quite incomplete?

Mr. Hiss. Had you not, Mr. du Pont, in accordance with Mr. Pierce's memorandum been considering the possibility of the construction of a powder plant for some time?

Mr. Pierre du Pont. We were considering the possibility, but the first definite notice we had was Colonel Hoffer's letter of October 3, 1917, and we made him a proposition very much in this outline the day after covering substantially the same proposition, the same $300,000,000 proposition, overnight. Naturally it could not be very definitely worked out.

Mr. Hiss. On October 11, 1917, at a meeting of the War Industries Board, Mr. Scott, who was chairman, reported that—

> the Chief of Ordnance will recommend to the Secretary of War that the du Pont Co. be permitted to expend $3,600,000 to create additional facilities to produce 3,500,000 more pounds per month of smokeless powder.

That is the same increase that we have spoken of before?

Mr. Pierre du Pont. Yes.

Mr. Hiss (reading):

> Likewise that he had practically decided to recommend that they be permitted to expend additional $90,000,000 to double their smokeless-powder capacity, and that the Chief of Ordnance expected to recommend this without bringing the matter before the War Industries Board.

That refers to the proposal of October 8, 3 days before this meeting?

Mr. Irénée du Pont. Yes.

Mr. Hiss. That was to expend an additional $90,000,000 of funds to be advanced to you currently by the Government, with payment of costs by the Government plus the fees that we have described. It is described here as merely doubling your smokeless powder capacity, just as the $3,600,000, which was to come from the du Pont Co.'s own financial structure. Actually they were very different propositions.

Senator Vandenberg. What is the full membership of the War Industries Board as listed at that time?

Mr. Hiss. At this meeting Mr. Scott was chairman, Mr. Baruch was present, Mr. Brookings, Mr. Bingham as secretary, Admiral Fletcher, Colonel Pierce and Mr. Frayne.

(The excerpts from the meeting of the War Industries Board referred to were marked "Exhibit No. 1127", and are included in the appendix on p. 3139.)

Mr. HISS. Then on October 16, 1917, there was a further meeting of the War Industries Board, which is stated in Mr. Baruch's opinion not to be a meeting of the War Industries Board, but only a conference of the explosives committee of the Board. At that meeting were present Mr. Scott, Mr. Brookings, Admiral Fletcher, Colonel Pierce, Mr. Bingham, and Mr. L. L. Summers.

(The excerpts from the meeting of the War Industries Board referred to were marked "Exhibit No. 1128" and are included in the appendix on p. 3140.)

Mr. HISS. Can you identify Mr. Bingham, Colonel Harris?

Lieutenant Colonel HARRIS. No; I cannot identify him.

Mr. HISS. At the bottom of that page, Mr. du Pont, it reads:

> The chairman stated that he had been verbally advised by the Ordnance Department that the Secretary of War has given his approval to the plan authorizing the du Pont Co. to practically double their capacity for the manufacture of smokeless powder at an expense of approximately $90,000,000.
>
> Mr. Summers expressed the view that since the Government was so vitally interested in this matter that such additional facilities should be the property of the Government and not of a private interest.

As a matter of fact, the du Pont Co. would not have been willing to construct it with its own capital and make it its own property anyway? The du Pont Co. insisted that it would act as agent of the Government and would not increase its own capacity?

Mr. PIERRE DU PONT. The original suggestion was decided by Colonel Hoffer, that whereas that plant apparently would be useless after the war, the du Pont people should not be expected to build it. It would be on account of the Government.

Mr. IRÉNÉE DU PONT. Could we go back, Mr. Secretary, a moment? You were a little bit mystified, and so was I, as to what started this looking for the plant site. I have been handed a memorandum which reads:

> On December 2, 1916—

That is the previous December, before we went into the war——

> the company was asked by the Board for the Investigation of the Manufacture of Arms, Munitions, and Equipment, if they would be prepared in the future to cooperate with the Government in the provision of adequate supplies of military explosives, etc. The company sent representative H. M. Barksdale to Washington to attend conference with the above Board.

Mr. HISS. That is the one that was known popularly as the Kernan Board?

Mr. IRÉNÉE DU PONT. I do not know.

The memorandum I referred to is as follows:

> On March 6 Mr. Bernard Baruch of the advisory committee of the Council of National Defense asked the company for information on raw materials available in the United States, provided we were cut off from the rest of the world. This information was given.

Mr. IRÉNÉE DU PONT. I think we had evidently been in conference with those boards, and I have no doubt at all it was the views expressed in those conferences that led us to go out and hunt up a site.

Mr. HISS. Plus your belief that the existing capacity for powder was inadequate, in spite of the fact that up until October 4 the Army's own estimates differed radically from the estimate they finally adopted on October 4.

Mr. Irénée du Pont. They, the Allies, had been taking our entire output, and the Government apparently thought we could provide also any quantity of powder they wanted. Those two things are a little bit inconsistent. They could not go on both at once.

Senator Clark. In other words, you could not supply to the United States Government without taking it away from the Allies?

Mr. Irénée du Pont. Yes.

Mr. Pierre du Pont. We had just been through the mill. We knew what it meant. Of course, the Allies were the same way. Their needs were vastly in excess of anything estimated in the beginning, of course.

Mr. Hiss. Under date of October 21, 1917, a memorandum was prepared in the Gun Division of the War Department by Capt. E. A. Hamilton of the Ordnance Department, addressed to General Control, Gun Division, Ordnance Office.

(The memorandum referred to was marked "Exhibit No. 1129", and is included in the appendix on page 3140.)[1]

Mr. Hiss. This is apparently a legal memorandum referring to the then current negotiations.

The last sentence of the first paragraph says:

> Judge Laffey, counsel for the company——

Was he a director of the du Pont Co. at that time, Mr. Pierre du Pont?

Mr. Pierre du Pont. I think not, but I am not certain.

Mr. Hiss. He later did become so?

Mr. Pierre du Pont. He became director later, and still is.

Mr. Hiss (reading):

> has submitted a memorandum to which this is an endorsement wherein he reviews the reasons advanced by his company in support of their request that they be permitted to form a new company for the performance of this work.

The next page, paragraph 4 quotes from Judge Laffey's memorandum:

> The argument advanced in paragraph 1 of the memorandum is based upon a a desire to limit liability which "lies in the possibility of it being hereafter held that the Ordnance Department exceeded its lawful powers in making this contract, in which event the agent might be held liable on its implied warranty of authority on all contracts signed by it as agent of the Government. The du Pont Co. desires to assume no risk of financial loss to itself."

That was one of the primary reasons, as Judge Laffey has indicated.

On page 3:

> It is the magnitude of the undertaking which gives rise to the apprehension of the du Pont Co. rather than a doubt as to the validity of the proposed contract, and consequently, no discussion, however convincing, will remove its reluctance to undertake this work in the name of the parent organization.

Mr. Pierre du Pont. May I state that when the settlement was made at the end of the war the validity of the contract was questioned.

Mr. Gregg. The contract of March 23, 1918?

Mr. Pierre du Pont. Yes.

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[1] "Exhibit No. 1129" was entered into further in Hearings, Part XV, on p. 3585.

Mr. Gregg. That was only during the process of the reaudit after the war. Some of the auditors on the work raised the question as to whether or not the Secretary of War had the authority to make a contract such as the contract of March 23, 1918, but it was never raised by any responsible authority.

Senator Clark. Never brought up to legal adjudication?

Mr. Gregg. No, never.

Mr. Hiss. Continuing from the same memorandum:

> The counter proposal contemplates the formation of a new company having as its officers, directors, and employees every member of the present du Pont organization whose services will in any way be necessary or desirable in the performance of the contract. The parent organization will affiliate itself with the new company and will guarantee to the Government the fulfillment of every obligation proposed by the contract. In this way, it is asserted, the Government will have the services of the du Pont Co. but the risk of loss will be limited to the capital of the new company.

In other words, $5,000.

Mr. Pierre du Pont. I think we should add after your last remark that there was a possible loss through the guarantee of the subsidiary company's operations. We guaranteed its performance, which might have been quite a costly procedure.

Mr. Hiss. May we take that up in connection with this specific proposition which was the order of October 25, addressed to your company and accepted by you as president?

(The letter referred to was marked "Exhibit No. 1130", and is included in the appendix on page 3141.)

Mr. Hiss. This was directed to you by William Crozier, Major General, Chief or Ordnance.

It directed you in the first paragraph to—

> proceed as soon as possible with the construction for the Government of complete plants for the manufacture of smokeless powder for cannon in units of 100,000 pounds, rate of daily capacity, the total capacity of which will be 1,000,000 pounds of powder per day of 24 hours.

The estimated cost is set forth in the last part of paragraph 2. The estimated costs of construction are $90,000,000.

The third paragraph:

> You will act as the agent for the Government in selecting sites for the plants.

Then the last sentence in paragraph 3:

> The Government will indemnify you against any and all loss by accident, fire, flood, or explosion or otherwise arising or growing out of the construction of the plants.

Paragraph 4:

> In order to expedite the construction of the plants you will be given freedom in the exercise of your judgment—

The same clause that was in the original proposition.

This is paragraph 5:

> The Government will reserve the right to furnish lumber, nails, cement, brick, and steel necessary in the construction of the plants, and to the extent that the Government exercises the right, it will agree to make deliveries of materials of suitable quality at such times and in such quantities as the bill of materials which you will furnish provides, but the cost of such materials shall be included in the cost of the plants upon which payments provided for in subdivisions (*a*) and (*b*) of the next following paragraph are computed.

(*a*) and (*b*) provide for cost plus 7 percent and cost plus 8 percent, respectively, a total of cost plus 15 percent, as in the original proposition.

Paragraph 5 provides that even when the Government supplies you with the materials where you have no purchase expense, you will still receive 15 percent of the cost of those items.

Paragraph 6:

> The Government will pay directly or will reimburse you for all cost of the construction of the plants, and in addition you will be paid at the time of making payments, on account of such construction whether directly to you or in reimbursement, (*a*)—

Then the 7 percent, which is to govern preparation of plans, the procurement of sites, engineering supervision. Most of that procurement of sites had already been carried out at your own risk without specific governmental order, had it not, Mr. du Pont?

Mr. PIERRE DU PONT. I did not catch that question.

Mr. HISS. If you will look at paragraph 6 (*a*), it is stated that the 7 percent of cost is to cover preparation of plans, the procurement of sites.

My question was, as of this date, October 25, practically all the work of procuring sites had already been done, and this is repayment for expenditures already made for which no specific governmental order was in effect. It was just a matter of your own judgment that it would become necessary at some time.

Mr. IRÉNÉE DU PONT. If that is of any importance, it ought to be checked. I do not know if the selecting of a site actually took up options on the property at that time or not.

Mr. HISS. I am going simply by what Mr. Pierce's memorandum says.

Mr. IRÉNÉE DU PONT. Does he say that?

Mr. HISS (reading "Exhibit No. 1117"):

> On October 4 we started to option the property * * * on October 23 our real estate department resumed optioning the Charleston site.

This letter is October 25, and talks about the procurement of sites.

Mr. IRÉNÉE DU PONT. You appreciate we only started to option sites on October 23. By the 25th we could have hardly secured—

Mr. HISS. No: I beg your pardon. You started on October 4.

Mr. IRÉNÉE DU PONT. He said he went back to continue optioning sites.

Mr. HISS. That is right.

Mr. PIERRE DU PONT. But answering your question, this covers what had already been expended——

Mr. HISS. To some extent.

Mr. PIERRE DU PONT. In the examination of options on the real estate, as well as what followed.

Mr. HISS. The primary work of selecting sites was that described in Mr. Pierce's memorandum from February 7 on, when you had engineers in the field.

Mr. PIERRE DU PONT. That is right.

Mr. HISS. You spent money and months of work on that [reading "Exhibit No. 1130"]:

> —engineering supervision other than local supervision, and services in connection with purchasing and forwarding deliveries of material necessary for the construction of the plants, and

> (*b*) A sum equal to 8 percent to cover administration other than local administration, pro rata share of overhead expense other than local overhead expense, and to cover profit.

The last part of paragraph 8, the last sentence, reads:

> The Government will make prompt payments, and if necessary so to do, will attach a disbursing officer at the plant or at the office of your company.

Paragraph 9:

> The Government will pay directly or will reimburse you for all cost of the operation of the plants and in addition there will be paid to you the sum of 5 cents per pound for all smokeless powder delivered and accepted.
>
> At the end of the first full month of operation of any unit or fraction of a unit, the cost of the water-dried powder exclusive of the cost of boxes and amortization——

It goes on with much the same provisions as before as to what shall be done in the event the cost is reduced below 44½ cents in the case of water-dried and 47 cents in the case of air-dried.

Mr. PIERRE DU PONT. That is the same thing exactly.

Mr. HISS. Paragraph 11, the termination provision, provides for a fee of $900,000 for each month during which the agency has been in operation, in the event of termination, which is precisely the same as in the original October 8 proposition.

Mr. PIERRE DU PONT. Please note in the event such right is exercised at a date later than 6 months, there is no obligation to make the payments other than those in the letter provided, so that covered only the period up to 6 months when that $900,000 was due.

Mr. HISS. That is correct.

Mr. PIERRE DU PONT. After that the contract followed its terms.

Mr. HISS. That is, you would be paid on the powder produced during the period of more than 6 months.

Mr. PIERRE DU PONT. And on the construction finished.

Mr. HISS. Yes; but you expected to finish construction in much less than 6 months, didn't you?

Mr. PIERRE DU PONT. We rather hoped that we would.

Mr. HISS. Your actual construction time was——

Mr. PIERRE DU PONT. If the war had terminated quickly, which was a hoped-for event, we might have stopped in a month.

Mr. HISS. Do you remember what the actual construction time was?

Mr. PIERRE DU PONT. It was 8 months.

Mr. HISS. The construction time? Not for the first unit.

Mr. PIERRE DU PONT. The first unit was 8 months.

Mr. HISS. I don't think so, Mr. du Pont. In this pamphlet entitled, "Old Hickory", which has been referred to before, on page 8 it says that ground was broken for work on necessary railroad spurs on February 9, that ground was broken for the plant March 8, that on June 1 the first unit was in operation, for the manufacture of sulphuric acid, 67 days after breaking ground, that on July 2 the first powder was manufactured, that this was 116 days after breaking ground.

Mr. PIERRE DU PONT. Yes; but the contract allowance was twice that. We accomplished the results in practically half the time.

Mr. HISS. I am merely pointing out that this 6 months provision, as it turned out, would have permitted you to have 5 cents a pound on all powder produced for 3 months in some units, or at least in one unit, and in less than that—well, as a matter of fact, the agency was signed some time before the ground was broken, so that we ought to add another month on that.

Mr. GREGG. The agency was signed January 29.

Mr. HISS. And the ground was first broken in February or March?

Mr. GREGG. Yes.

Mr. PIERRE DU PONT. There would have been no powder paid for at 5 cents if the construction had not been completed in that time specified, but the construction was completed.

Mr. HISS. Just a minute. You mean after the 6 months period, if you had not finished construction until, say 7 months, there would have been no payment as to the powder, is that your point?

Mr. PIERRE DU PONT. No; the point is this: That if construction had ceased within 5 months, there was a definite $900,000 per month due. Now, after the 5 months period we were to have been paid on construction as provided in the contract, and nothing on manufacture until manufacture occurred, and then according to the terms of the contract.

Mr. HISS. That is quite correct. Let me restate it, to be sure we understand each other. Had the contract terminated prior to the 6 months you would have been paid $900,000 for each month or a fraction of a month for all fees?

Mr. PIERRE DU PONT. Yes.

Mr. HISS. Had the contract terminated after 6 months you would have been paid 15 percent of the cost of construction to date and 5 cents on whatever powder had been produced?

Mr. PIERRE DU PONT. That is right.

Mr. HISS. Paragraph 12 of " Exhibit No. 1130 " reads:

> It is understood that this order, after acceptance by you, may be assigned to the du Pont Engineering Co., a Delaware corporation of nominal capitalization to be organized solely for the purpose of construction and operation of powder plants under this order.

It then provides that the officers and directors of the engineering company will be: President, Pierre S. du Pont; vice president, E. G. Buckner; vice president, Irénée du Pont; vice president, H. F. Brown; treasurer, J. J. Raskob; and secretary, Alexis I. du Pont; and then it lists the directors.

Those are the same officers and directors that the parent company had at that time?

Mr. PIERRE DU PONT. This would indicate that Mr. Laffey was a director at the time.

Mr. HISS. These are the same officers and directors that the parent company had at the time? [1]

Mr. PIERRE DU PONT. I believe so.

Mr. HISS. You said some time back ago that the October 8 memorandum represented a hasty proposition.

Mr. PIERRE DU PONT. Just a moment on that question you asked. That is my present recollection, that the directors were the same, but I am not sure that all the directors of the du Pont Co. are named here. If you want it checked, that can be done.

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[1] See footnote on p. 2958 for information regarding officers and directors.

Mr. IRÉNÉE DU PONT. I am not even sure that Henry Pierce was a director.

Mr. HISS. That will be cleared up in another report, Mr. du Pont. While that is being looked up, we may proceed.

Some time back you referred to the fact that the October 8 counterproposition submitted by your company was, in your opinion, a hurried, hasty proposition. The October 25——

Mr. PIERRE DU PONT. The October 4 was very hasty and the October 8 a little more perfected, and it gradually grew up to this one.

Mr. HISS. But it was the October 8 one we dealt with in some detail.

Mr. PIERRE DU PONT. Yes.

Mr. HISS. We did not refer to the October 4 one specifically. I do not think it has been introduced in evidence.

Mr. PIERRE DU PONT. It has not.

Mr. HISS. But the October 25 one is substantially the same in things other than form as the October 8.

Mr. PIERRE DU PONT. Yes. The principal terms are exactly the same.

Mr. HISS. Precisely the same.

Mr. PIERRE DU PONT. Yes.

Mr. HISS. So that the terms can hardly be called hasty terms by this time, October 25?

Mr. PIERRE DU PONT. Yes. We made a pretty good guess the first time. It was hasty to make a proposition of that kind in 5 days, quite a hasty matter.

Mr. ELIASON. The annual report for 1917 does not give a list of the directors. I will have that obtained from Wilmington, to be accurate about it, if you want.[1]

Mr. HISS. Yes.

Mr. PIERRE DU PONT. May I call attention to paragraph 10 in this contract, which is quite important? I am not sure whether it was in the October 8 or not.

Mr. HISS. Do you want to read it into the record, Mr. du Pont?

Mr. PIERRE DU PONT. I think it would be well. It is quite an important part of the contract.

Mr. HISS. If you would like to read it, do so.

Mr. PIERRE DU PONT. Paragraph 10 reads:

> The Government will reserve to itself the right to reduce the output of the plants herein provided to be constructed and operated, in which event the terms and conditions herein set forth will be applicable.

Mr. HISS. On October 31, at another meeting of the War Industries Board——

Mr. PIERRE DU PONT. Just a moment, Mr. Hiss. There is a similar provision in regard to construction. Although it provides for a million pounds per day manufacture, I think there is a provision there that it can be reduced.

Mr. HISS. In the October 8?

Mr. PIERRE DU PONT. No; October 25.

Mr. HISS. I did not quite get the point, Mr. du Pont.

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[1] The 1917 list of officers and directors of the du Pont Engineering Co. and the E. I. du Pont de Nemours & Co. was later furnished to the committee and appears in the appendix on p. 3163.

Mr. Pierre du Pont. That the contract provided that all or a part of a million pounds of powder per day——

Mr. Hiss. Just a minute. Paragraph 1 simply says:

> The total capacity of which will be 1,000,000 pounds of powder per day of 24 hours.

Mr. Pierre du Pont. Maybe October 8 was the one that had it in. There was one like that.

Mr. Irénée du Pont. Is this an exhibit in the testimony?

Mr. Hiss. I don't know what you are referring to.

Mr. Irénée du Pont. The contract.

Mr. Hiss. October 25?

Mr. Irénée du Pont. The October 25 contract.

Mr. Hiss. That is right. It was just introduced as "Exhibit No. 1130."

Mr. Irénée du Pont. It is an exhibit, then?

Mr. Hiss. Yes.

I refer to the minutes of a meeting of the War Industries Board of October 31, 1917, excerpts from which are now offered as an exhibit.

(The excerpts from meeting referred to were marked "Exhibit No. 1131", and are included in the appendix on p. 3144.)

Mr. Hiss. This document says in part, Mr. du Pont:

> A communication from the Chief of Ordnance, dated October 29, informing the Board of arrangement made between the Ordnance Department and the E. I. du Pont de Nemours & Co. for the construction and operation of powder plants having a rated capacity of 1,000,000 pounds of finished smokeless powder per day and involving an expenditure of approximately $90,000,000, was read for the information of the board.
>
> It was ordered that the following letter be sent in acknowledgement to the Chief of Ordnance.

Then, quoting from the proposed letter:

> We beg to say that the only previous definite information the War Industries Board had regarding the contract referred to therein with the E. I du Pont de Nemours & Co. was a telephone message to the chairman of the Board to the effect that you proposed to make a contract with the du Pont Co. involving the expenditure of about $90,000,000 without referring it in any way to the Board.
>
> We now understand that you simply advise us of your action as a matter of information.

OLD HICKORY CONTRACT—SECRETARY OF WAR BAKER'S ORDER TO SUSPEND NEGOTIATIONS

Mr. Hiss. On October 31 a telegram was sent to you by the Secretary of War, Mr. Baker, which said:

> I have just had presented to me the details of the proposed contract with regard to increased capacity for powder production. This matter is large, intricate, and important. Do nothing about it until you hear further from me. Stay all action under the order until I can acquaint myself thoroughly with all features of the matter.

Senator Pope. What is the date of that communication?

Mr. Hiss. October 31, the date the War Industries Board announced they had received under date of October 29 the communication from the Chief of Ordnance.

Mr. Irénée du Pont. Before you get away from that contract, which is referred to in this telegram, you did not read the last sentence in the contract of what the du Pont Co. were undertaking to do.

> (c) Furnish such working capital as may be needed.

I gather that meant we had to put up the money until we were reimbursed on the 15th of the month. They were monthly payments, I believe.

Mr. HISS. That is a change from the provisions of the contract of October 8?

Mr. IRÉNÉE DU PONT. But this is the one that was signed.

Mr. HISS. Yes.

Mr. IRÉNÉE DU PONT. I just want you to appreciate what that might mean. We were spending money on the actual plant that was built later at a rate of $20,000,000 a month, and that meant we were carrying up to $20,000,000 a month before we were repaid.

Mr. HISS. But that provision did not remain in the contract.

Mr. IRÉNÉE DU PONT. That is true, but this contract, which seemed to give a rather high remuneration the way you read it, bear in mind we were out $20,000,000 at the end of the month for 15 days.

Mr. HISS. At the same time you were financing your own construction and carrying your own insurance, so you had considerable free cash at this time, didn't you, the company?

Mr. IRÉNÉE DU PONT. I do not think that makes a particle of difference. If you put up $20,000,000, you must have that much free cash.

Mr. PIERRE DU PONT. Mr. Hiss, have you a memorandum of October 15 in which there was a telephone communication from Colonel Hoffer to us saying that the Secretary of War approves this general project, which was after the October 8 proposition was made, and directs that steps be taken to carry it out?

Mr. HISS. I have not seen a copy of that.

Senator POPE. What is that date, Mr. du Pont?

Mr. PIERRE DU PONT. The telephone message was October 15.

Mr. HISS. That was before the actual form of contract was developed and referred to the general proposition.

Mr. PIERRE DU PONT. But it was after the October 8 proposition.

Mr. HISS. That is correct.

Mr. PIERRE DU PONT. Which covered the essentials of October 25 and it says that—

> I, the Secretary of War, wish to be informed as to the terms before they reach finality.

I understand he was so informed.

Mr. HISS. Mr. du Pont, had not the terms reached finality in the order of October 25. Didn't you regard that as a final order?

Mr. PIERRE DU PONT. We thought that it was. It was signed.

Mr. HISS. The telegram I read from the Secretary of War, the date he sent that telegram being October 31, said:

> I have just had presented to me the details of proposed contract.

He evidently had not seen it before.

Mr. PIERRE DU PONT. We were not aware of that. We thought he knew.

Mr. GREGG. The du Pont Co. formally accepted the order of October 25.

Mr. HISS. At that time it was a formal agreement.

Senator POPE. October 25?

Mr. HISS. Is there a date on the acceptance?

Mr. GREGG. There is no date on the acceptance.

Mr. HISS. On the same date that the Secretary of War telegraphed:

> Do nothing about it until you hear further from me; stay all action under the order—

according to Mr. Pierce, on that same day you started surveys of that portion of the site which was under option?

Mr. PIERRE DU PONT. I think that is right.

Mr. HISS. You went ahead in spite of the Secretary of War's order, I assume, because you felt confident the order would have to be rescinded. Do you recall why you went ahead with the survey?

Mr. PIERRE DU PONT. No; we thought at that time there were lacking some matters of detail. Of course, we did not know what the trouble was. The Secretary had approved, apparently of the general features of the October 8 order which were all incorporated in the October 25 memorandum.

Mr. HISS. But obviously any expense you incurred after that telegram would be at your own risk.

Mr. PIERRE DU PONT. Oh, yes; legally it would be.

Mr. HISS. And going ahead, as you did, you must have felt fairly confident that the proposition would eventually go through?

Mr. PIERRE DU PONT. Yes; as it did.

Mr. HISS. Under date of November 1, 1917, you wrote a letter to Mr. Buckner, who was a vice president of the company, which I will offer as the next exhibit.

(The document referred to was marked "Exhibit No. 1132" and is included in the appendix on p. 3144.)[1]

Mr. HISS. You wrote this letter to Mr. Buckner, as I say, giving detailed information as to the disadvantages to the du Pont Co. in undertaking the proposed contract. On page 2, the second full paragraph, you say:

> The loss of the use of our engineering department will be a great burden to the welfare of our company.

What engineering work was in process at the time that this occurred?

Mr. PIERRE DU PONT. I could not tell you that.

Mr. HISS. Was Mr. Ackart your chief engineer there?

Mr. PIERRE DU PONT. No; I don't think so.

Mr. HISS. Mr. Ackart prepared this chart of pay-roll employees and of the salaried employees of the engineering department of the du Pont Co. at my request and stated that from 1917 to the end of the war the major construction undertaken by the company was in connection with the dye works and that in his opinion this was approximately one-fifth of the smokeless-powder plant that had been prepared.

I will offer this chart as an exhibit.

(The chart referred to was marked "Exhibit No. 1133" and is included in the appendix on p. 3146.)

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[1] "Exhibit No. 1132" was entered into further in Hearings, Part XIV, on p. 3168.

Mr. Hiss. This particular chart shows that in August of 1914 the pay-roll employees of the engineering department were only 615, that in August of 1915, 1 year later, this had increased to 22,756. It remained up at about that level until nearly the middle of 1916, or the spring of 1916, and in August came down again to 4,574, still well above the 1914 level. It went gradually to 7,754 in January of 1918 and then jumped to 44,000 in August.

Is this the period of construction of Old Hickory?

Mr. Gregg. Yes.

Mr. Hiss. In other words, at the time that this was undertaken you had a greatly reduced pay roll in the engineering department. There does not appear to be, from the pay-roll list, any indication that the company contemplated any considerable expansion of its own plant at that time, so that the loss of the use of your engineering department would not appear to be a great burden, as stated in this letter.

Mr. Pierre du Pont. I do not think that we have the evidence before us, because I am sure this statement is not made idly, and I am sure that we had a great deal of concern about our engineering department employment and the company's employment at that time.

Mr. Hiss. I want to call attention to, and offer for the record as an exhibit, a report of June 14, 1923.

(The report referred to was marked "Exhibit No. 1134" and is included in the appendix on p. 3147.)

Mr. Hiss. A copy of that is now before you. This report was prepared by Mr. Pierce, who at that time was president of the du Pont Engineering Co. This is an analysis of the net results of outside contracting work and the effect upon the du Pont organization as a whole.

The third paragraph reads:

> Following the signing of the armistice we were left with this organization and it was necessary to decide very quickly what was to be done with it. Since it has been the du Pont Co.'s policy for approximately 20 years to maintain an organization to do its own design and construction work and since the executive committee at that time decided to continue this policy, we were confronted with the problem of demobilizing the engineering organization to a point where it could best meet the normal requirements of the du Pont interests. Our forces at that time consisted of 2,479 salary employes and approximately 45,000 field forces. We very quickly demobilized 75 percent of these forces, retaining the best men—the remaining portion to be demobilized more gradually and as conditions warranted. It was suggested that we undertake to do such work for the General Motors Corporation as they would give us under a contract where we would charge them only 10 percent profit on the cost of the engineering and which actually figured but only a fraction of a percent on the actual cost of construction.

On page 2 of this report—the excerpt which was furnished does not refer to that part—on page 2 of that report your Mr. Pierce makes the statement that by the taking on of outside contracting after the war, that it, the du Pont Engineering Co., was kept alive after the war; that is correct, is it not?

Mr. Pierre du Pont. Yes.

Mr. Hiss. And it took on outside engineering. He points out that on the General Motors work, which has been referred to above as being a volume of $40,000,000, $362,496 of overhead was charged to General Motors, which materially reduced the du Pont engineering costs and absorbed, further, $238,107 charges from other departments account purchasing, traffic, and so forth, and made an outright profit of some $300,000 on this fraction of 1 percent.

Was it not true in connection with the Old Hickory building that a large part of the overhead of your concern, or of the engineering overhead that for 20 years it had been your policy to maintain, was absorbed in the construction of Old Hickory?

Mr. Pierre du Pont. I would think not, because the obligation required was proportionately greater. We spent just as much as we originally had on our own work. But I would have to go to the record to find that out.

Mr. Hiss. On page 3 of this same letter from you to Mr. Buckner, "Exhibit No. 1132" describing the disadvantages of the proposed plant——

Senator Pope. That was on what date?

Mr. Hiss. November 1, 1917.

You say, Mr. du Pont:

> We cannot undertake any work of the magnitude contemplated in these Government factories without including in our charges the profit that one might reasonably expect from the use of our stockholders' money. If we should fail to do this, the unfriendly minority would have a case of some merit to promote against those in charge of the company's affairs. Apart from the possibility of these attacks, this feature of the situation only serves to accentuate the duties of our officers and directors to endeavor to win reasonable profits for the stockholders.

Who were the major stockholders of your company at that time? Has that been offered in evidence? That is 1917.

Mr. Pierre du Pont. No; I think not.

Mr. Hiss. Could you supply the 10 or a dozen controlling stockholders in 1917? [1]

Mr. Pierre du Pont. Yes.

Mr. Irénée du Pont. That was the point which I wanted to bring out. In all these contracts, remember we were in a dual capacity of American citizens doing our level best we could for the country and still maintain the position of trustees of the funds of the stockholders. Some of these major stockholders might have been unfriendly and might have caused us some trouble, but that does not change at all one's duty to look after their stockholders. We could not do that and lightly hand away their money.

Mr. Hiss. Didn't you and members of your family hold large interests in the company yourselves?

Mr. Irénée du Pont. Yes.

Mr. Hiss. So that you were also referring to your duty to yourselves?

Mr. Irénée du Pont. But that does not give us a right to give somebody else's money away. Today things are a little bit different. You are allowed to dip into somebody else's pocket.

Mr. Pierre du Pont. This statement was borne out by the fact that we had just gone through a long suit with some of our stockholders on a point very similar to this.

Mr. Hiss. Continuing with that same paragraph:

> This is not only part of our duty, but we cannot assent to allowing our own patriotism to interfere with our duties as trustees. Our commanding position

---

[1] This information was later supplied to the committee and appears in the appendix on p. 3160.

in the explosive industry has been won only by incessant work and expenditure of money by the company. The situation is an asset of the stockholders which cannot be dissipated lightly.

What did you mean by the phrase "the situation," Mr. du Pont?

Mr. PIERRE DU PONT. I have lost track of that. I have been looking at another copy of my own.

Mr. HISS. This is the top of the fourth page, the second complete sentence. Read the first complete sentence and the second complete sentence.

Mr. PIERRE DU PONT. The situation as developed over years of experience, the goodwill of the company.

Mr. HISS. In other words, your commanding position?

Mr. PIERRE DU PONT. Yes; not only in explosives, but everything we manufacture.

Mr. HISS (continuing reading "Exhibit No. 1132"):

> It is undoubtedly true that the contemplated work could not be executed by other contractors at costs to the Government better than that which we propose to charge, including our commission. If we are wrong in this supposition, we will gladly relinquish the work to other contractors, as we do not feel that our low compensation——

That was 15 percent, plus 5 cents. Do you consider that low?

Mr. PIERRE DU PONT. We would get no compensation at all on that. The maximum compensation we expected on that was 6 percent, and if our cost of overhead was as great as it had been in our own plant, there would not be any compensation whatever.

Mr. HISS. Five cents a pound?

Mr. PIERRE DU PONT. Five cents a pound might never have eventuated. The construction was $90,000,000 and the hard part of the work, and our possibility there was a minimum of 6 percent and a minimum of nothing.

Mr. HISS. On this your overhead was so great as to eat up all but that percentage?

Mr. PIERRE DU PONT. We had our overhead.

Mr. HISS. Do you recall what that overhead was?

Mr. PIERRE DU PONT. You will hear something of the detail of that overhead. It was submitted about this time to the Department.

Mr. HISS. In the October 25 agreement, "Exhibit No. 1130", as to payment by the Government in paragraph 6, it reads:

> (*a*) A sum equal to 7 percent thereof to cover preparation of plants, the procurement of sites, engineering supervision other than local supervision, and services in connection with purchasing and forwarding deliveries of material necessary for the construction of the plants; and (*b*) a sum equal to 8 percent to cover administration other than local administration, pro rata share of overhead expense other than local overhead expense, and to cover profits.

Didn't you regard this as a complete contract, involving operation as well as construction?

Mr. PIERRE DU PONT. The construction might prove so, but had the work ended it might not have been so.

Mr. HISS. Would your company have accepted the contract with only the construction feature?

Mr. PIERRE DU PONT. No; as long as the operation was to be done, we insisted that we should do it.

Mr. HISS. Didn't you refuse to do the construction alone?

Mr. PIERRE DU PONT. We did, but if the war had ended there would have been no operation.

Mr. HISS. But you were counting upon the profit from the operation as a part of the total remuneration, isn't that true?

Mr. PIERRE DU PONT. It was operated.

Mr. HISS. All right.

Mr. PIERRE DU PONT. That was a long distance away; 8 or 12 months at that time was a long stretch of time. Nobody knew when the war was going to end.

Mr. HISS. On November 2, 1917, a letter was written to General Crozier, Chief of Ordnance, signed by you, on the same general line as the letter, just discussed, to Mr. Buckner.

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. I offer that for appropriate number.

(The letter referred to was marked "Exhibit No. 1135" and is included in the appendix on p. 3147.)

Mr. HISS. In that letter you say [reading]:

> In answer to your request that I put in writing an estimate of the expenses which are chargeable against the 15-percent commission——

That is the specific break-down which you were speaking about?

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. In the second paragraph it reads:

> For instance, the rate of construction demands a monthly outlay in excess of the average monthly outlay in the construction of the Panama Canal.

Eventually the capital was furnished by the United States, so that that was cut out in the negotiations.

Mr. PIERRE DU PONT. No, indeed.

Mr. HISS. In this paragraph are you not referring to the strain upon your financial facilities?

Mr. PIERRE DU PONT. Yes; but there was a strain on our organization from other losses.

Mr. HISS. I meant this particular sentence, Mr. du Pont, which I read, was referring to the financial strain.

Mr. PIERRE DU PONT. Only one part.

Mr. HISS. To the extent that it relates to financial strain, it was eliminated in the agreement as finally consummated?

Mr. GREGG. Is this still on the 15-percent basis for construction?

Mr. HISS. This is still on the 15-percent basis for construction.

Mr. PIERRE DU PONT. Take the financial part of it: When we finally finished the Old Hickory plant, it took us 8 years to get the whole thing settled up.

Mr. GREGG. The Government was not going to furnish us any funds. You were going to use your own funds.

Mr. PIERRE DU PONT. They were going to reimburse us.

Mr. HISS. At that time you had to furnish capital from month to month?

Mr. PIERRE DU PONT. What would have happened if the Government had not furnished the capital? We would not shut down and discharge all the men. We were in a fix which one does not like to get into.

Mr. HISS. That was a fix which was completely obliterated later on, which I was attempting to point out, that the Government agreed to keep a balance, and advanced some $18,000,000 for construction and some $18,000,000 for operation.

Mr. IRÉNÉE DU PONT. The telegram from Secretary Baker: Suppose that had come at the end of the month when we had already spent $20,000,000, and we would have been left sitting in the air, and I do not know how long, and holding the bag, and a great force of men there, and no work for them. What would you have done? These things are quite important. He was quite right.

Mr. HISS. On page 2, of "Exhibit No. 1135" the first complete paragraph reads:

> You appreciate that the task imposed upon our company is enormous and fully justifies the alternative offer made last night when Mr. Buckner offered to furnish the Government our existing plans from which to build these plants, without charge—

The plans were already in existence by the 2d of November?

Mr. PIERRE DU PONT. The plans furnished had been approved. They were fairly well along.

Mr. HISS (continuing reading):

> if, in return, you can arrange to have the work done by other engineers and builders, thus relieving us entirely of the burden. I believe, however, that this counteroffer should not be accepted. These factories can be constructed more cheaply and efficiently and with greater certainty of immediate maximum output if the work is conducted by E. I. de Pont de Nemours & Co. than if handed over to contractors who cannot place themselves in immediate contact with similar plants in actual operation.

Did you not believe at the time that you were practically the only company that could construct and operate, both, any plant of this size in the United States?

Mr. PIERRE DU PONT. I thought so, but apparently others differed with me. I was not the only person competent to speak.

Mr. HISS. On page 3, Mr. du Pont, the second complete paragraph [reading]:

> The development of these general conditions has convinced us of the propriety of the seemingly high charge of 15-percent commission which may amount in maximum to $13,500,000.

With any saving in the cost below 44½ cents for water-dried and 47 cents for air-dried, you would have received in addition to the 5 cents on a pound of powder considerably more than the $13,500,000 referred to here on the construction end of it. That is true, is it not?

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. You had at no time discussed this as two separate propositions, had you, construction or operation? It was always a joint proposition. You refused to do one and not the other?

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. So that here you refer to a maximum compensation of $13,500,000, whereas, the maximum compensation—assuming, as when you use the word "maximum" you must assume, favorable circumstances—would be much greater because of the 5 cents a pound on however much powder you produced?

Mr. IRÉNÉE DU PONT. We are talking about the construction of the plant, are we not?

Mr. Hiss. I think you were talking about the entire contract in this regard, Mr. du Pont.

Mr. Irénée du Pont. I have not read the letter.

Mr. Pierre du Pont. I think here we are talking about construction, that is, the maximum construction.

Mr. Hiss. I was trying to bring out that throughout the negotiations you insisted that construction and operation could not be separated, and you would not consider any proposition of the Government for one without the other. Therefore that reference to $13,500,000 for construction profit, as the maximum profit, does not accurately describe the maximum profit of the only deal you have considered?

Mr. Pierre du Pont. That was the maximum profit which could have accrued to us in a period of quite a number of months.

Senator Pope. Mr. du Pont, between the time you signed the contract, October 25, and the time you received this telegram from Mr. Baker, had you expended any substantial amount of money on this particular contract?

Mr. Irénée du Pont. I cannot tell you how much was expended. I think we spent some for land and did not get it for a time.

Mr. Pierre du Pont. We made a good many arrangements, taking options on things, and at the same time purchased this machinery plant to manufacture machinery in.

Senator Pope. Do you have any records on that, Mr. Hiss?

Mr. Pierre du Pont. I think there is a record on what was expended.

Mr. Hiss. No; I have not.

Mr. du Pont, referring to page 4 of the same letter, "Exhibit No. 1135" from you to General Crozier, of November 2, 1917, the first complete paragraph on page 4, referring to the losses which may be incurred by the company in undertaking the new work, it states (reading):

> For instance, we have already undertaken large construction in connection with the dye industry and other chemical manufacture—

Mr. Irénée du Pont. Will you give the date of the letter from which you are reading?

Mr. Hiss. November 2, 1917, from Mr. Pierre du Pont to General Crozier, page 4, the first full paragraph.

That is the second sentence (reading):

> For instance, we have already undertaken large construction in connection with the dye industry and other chemical manufacture, and have engaged to deliver the product to these factories in large amounts.

I call your attention to the June18, 1917, executive committee meeting, at which the committee advised that the total investment in the dyestuffs industry would be $7,000,000, the estimated annual profit 17 percent at present prices, and the further statement that 7 months at one-half capacity would repay the investment.

So that what you have in mind is loss of prospective profits and not actual loss, when you make the statement that there—

> we have already undertaken large construction in connection with the dye industry and other chemical manufacture, and have engaged to deliver the product of these factories in large amounts.

Because one-half of the capacity would repay your investment.

Now, turn to the last page of the letter, page 5, the last sentence in the first paragraph:

> However, in a situation so uncertain as is that of today, business prudence and our duty to our stockholders make it necessary to provide against loss, even though prospective profit is unlikely to be adequate.

Then there is listed in an attached memorandum certain costs:

> 1. Preparation of plans, including selection of sites, optioning of land, survey or land, making of contour maps, and use of all our standard drawings.
>
> Estimated cost to us between 1 and 2 percent of estimated cost of plant.

That means between $900,000 and $1,800,000. Now, the majority of that had already been spent prior to October 25.

Mr. IRÉNÉE DU PONT. Where do you get the majority from?

Mr. HISS. From Mr. Pierre du Pont's previous testimony.

Mr. IRÉNÉE DU PONT. The majority of the expense?

Mr. HISS. The majority of the expense involved in item 1, " preparation of plans, including selection of sites, optioning of land, survey of land, making of contour maps, and use of all our standard drawings."

Mr. IRÉNÉE DU PONT. I think you are misreading it somewhere.

Mr. HISS. I was referring, at that point of the examination, to Mr. Pierce's memorandum, in which he refers, first, to the fact that February 7, 1917, " our engineers " started " again collecting data on stream flow and study of topographical maps for a smokeless-powder-plant location to comply with the rulings of the War College, since none of our plants complied with these rulings."

That is from " Exhibit No. 1117." [Reading:]

> On April 21, at our request, a letter was obtained from General Crozier of the Ordnance Department, which was in the nature of a passport for our engineers to visit water intakes and structures that were under guard from alien enemies.
>
> On April 25 two of our locating engineers were sent from the Wilmington office to the field.
>
> Between April 25 and July 12 these engineers covered Tennessee, parts of Alabama, Kentucky, Illinois, Indiana, West Virginia, and the southwestern part of Virginia, in search of suitable locations for smokeless-powder plants.
>
> July 12 to 28 was spent in working up data collected by the field engineers and making a report on same.
>
> July 28 to August 3 two engineers were in the field reconsidering locations and a definite recommendation was made for the selection of the Charleston site. * * *
>
> On October 4 we started to option the property.
>
> On October 5 this optioning was stopped on account of the high prices of land.
>
> On October 22 and 28 one of our engnieers, in company with Col. J. C. Nichols, of the Ordnance Department, visited the various sites and obtained the approval of the Ordnance Department, through Colonel Nichols, of two of the sites selected by us, with a third, smaller in area, as a possibility.
>
> On October 23 our real-estate department resumed optioning the Charleston site.

Mr. PIERRE DU PONT. There is nothing in that about preparation of plans, making of contour maps, and use of standard drawings.

Mr. HISS. The preparation of plans is referred to in the letter of November 2, according to which Colonel Buckner had offered to turn over the plans to some other contractors, and at that time I asked you whether plans were complete by November 2.

Mr. Pierre du Pont. I said they were pretty well along.

Mr. Hiss. You said they were pretty well along.

Mr. Pierre du Pont. Yes.

Mr. Hiss. How much of that could have been completed between October 25 and November 2? Not very much; could it?

Mr. Pierre du Pont. Whether the money was spent or not, we were endeavoring to recoup it if it were spent.

Mr. Hiss. Right.

Mr. Irénée du Pont. Does that answer my question about the majority of expense on engineering and building of plant?

Mr. Hiss. I beg your pardon. The first item in Mr. Pierre du Pont's memorandum, " Exhibit No. 1135 ", does not make any mention of engineering supervision. I will read it:

> Preparation of plans—

which we have just described—

> including selection of sites—

which that memorandum specifically refers to—

> optioning of land—

which it refers to—

> survey of land—

which that does not refer to until October 31—

> making of contour maps—

which it does not refer to until a later date—

> and use of all our standard drawings—

which is the November 2 letter, on which Mr. du Pont commented on the basis of that letter as pretty well along, 7 days after October 25, which he testified he assumed had been pretty well along also 7 days before.

Mr. Irénée du Pont. On that basis you think the majority of the engineering expense had been expended? Is that what I understand?

Mr. Hiss. Does this constitute engineering expense, what I have just read?

Mr. Irénée du Pont. No; engineering plans.

Mr. Hiss. I said the majority of the items described in this " no. 1 " had been complete at that time, for which a charge of 1½ percent was being made.

The next one goes on with supervision of construction and inspecting engineer——

Mr. Pierre du Pont. I do not follow that, Mr. Hiss.

Mr. Hiss. May we phrase the question this way:

How much of " point 1 ", for which you estimated a cost of between 1 and 2 percent of the $90,000,000, in other words $90,000 to $180,000, do you estimate had been completed by October 25?

Mr. Pierre du Pont. I could not make an estimate at this time.

Mr. Irénée du Pont. It was not a majority?

Mr. Hiss. Of those items?

Mr. Irénée du Pont. I am talking about the expense. You say the majority of the expense had been spent, as I understood you to say, and I said, " Where did you get the majority from? "

Mr. Hiss. I did not say how much it cost to do it; but I said the majority of the work, which you estimated would cost that much, had been done. I do not know whether you spent that much or not, Mr. du Pont.

Mr. Irénée du Pont. I imagine this thing was made from previous experience, and I am informed already——

(Informal discussion off the record occurred at this point, after which the proceedings were resumed as follows:)

Mr. Irénée du Pont. I started to say, I think the report on the Old Hickory construction, which was quite analogous, indicated that they used 40 acres of blueprints. Those certainly had not been made at that time. And an acre of blueprints, made a foot at a time, which would have to be prepared for a specific site, must require a great deal of engineering.

Mr. Hiss. Item No. 3 states [reading from "Exhibit No. 1135"]:

> Cost of extra compensation to be offered to men engaged on the work as an inducement to extraordinary effort to expedite early completion and economy of construction (our expenditure on this account amounted to $1,800,000).

In this connection I call your attention to an extract from the minutes of the executive committee meeting on October 26, 1917, which I offer for appropriate number.

(The excerpts referred to were marked "Exhibit No. 1136" and are included in the appendix on p. 3150.)

Mr. Hiss. The second paragraph reads:

> Report was received from the chairman, dated October 25, 1917 (no. 9509), in regard to establishing a bonus fund to be available for employees who successfully carry out the construction of the plants for the manufacture of 1,000,000 pounds of smokeless powder per day for the United States Government.
>
> After full discussion, it was moved and unanimously carried that this report be received and filed, and the chairman advised that it is agreeable to this committee to enter into a contract with the du Pont Engineering Co. under which we will receive from the du Pont Engineering Co. $1,500,000 of the total commissions which they receive on account of work which they are proposing to undertake, as an amount of money to be available for payment by the du Pont Co. to the employees of the du Pont Co. and du Pont Engineering Co., either in cash or in stock of the du Pont Co., as in the discretion of the executive committee of the du Pont Co. may seem best, as bonuses to the men who contribute most in the successful prosecution of this work * * *.

If, in fact, this discretion had been exercised, Mr. du Pont, in favor of an issue of stock, would this have represented an actual cost or merely a capitalization of $1,500,000?

Mr. Pierre du Pont. The cost of the stock, whatever it might have been.

Mr. Hiss. You would have issued stock from your treasury under this plan, or would you have gone in the market and purchased it, or not?

Mr. Pierre du Pont. We practically always purchased the stock.

Mr. Irénée du Pont. Even if we issued it from the treasury, it is worth the market price.

Mr. Hiss. Would not that be a capitalization of the $1,500,000?

Mr. Irénée du Pont. No.

Mr. Hiss. What would it be?

Mr. Irénée du Pont. It would be an expense, a part of the cost.

Mr. **Pierre du Pont.** As a matter of fact, we would have purchased the stock.

Mr. **Hiss.** I will also ask to have marked as "Exhibit No. 1137" an extract from the minutes of the executive committee of the du Pont company dated November 9, 1917.

(The extract referred to was marked "Exhibit No. 1137" and is included in the appendix on p. 3150.)

Mr. **Hiss.** That is on the same subject.

Senator **Pope.** The committee will be in recess until 10 o'clock tomorrow morning.

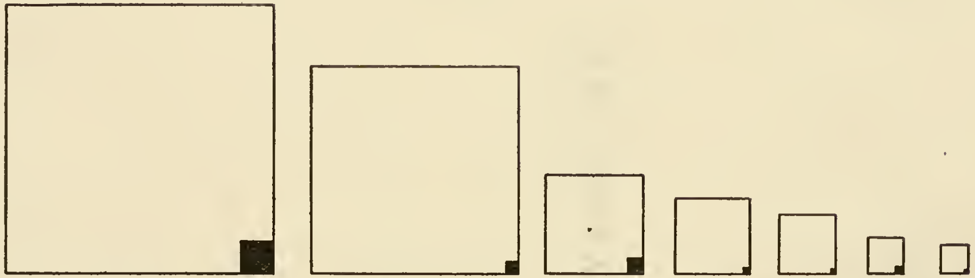
(Thereupon, at 4:15 p.m., Thursday, Dec. 13, 1934, the hearing was recessed until tomorrow, Friday, Dec. 14, 1934, at 10 a.m.)

This concludes that part of the testimony known as "Part XIII, Profiteering, Government Contracts and Expenditures during the World War, including early negotiations for Old Hickory Contract." At this point the committee took up the story of "Old Hickory." (See pt. XIV.)

APPENDIX

EXHIBIT No. 1104

RELATIVE PROPORTIONS OF EXPENDITURE OF THE ARMY SUPPLY BRANCHES DURING 19 MONTHS OF WAR COMPARED WITH 19 MONTHS OF 1922 - 1923 (APPROX.)



	QUARTERMASTER	ORDNANCE	AIR SERVICE	ENGINEERS	MEDICAL D.	SIGNAL C.	CHEMICAL W.S.
19 MONTHS OF WAR	$ 6,242,745,000	4,087,347,000	859,291,000	638,974,000	314,544,000	129,920,000	83,299,000
19 MONTHS OF 1922-1923	99,656,000	10,624,000	20,108,000	2,892,000	1,646,000	3,388,000	950,000
RATIO	1 : 62	1 : 384	1 : 42	1 : 220	1 : 191	1 : 38	1 : 87
% OF WAR	1.45	0.26	2.34	0.46	0.53	2.62	1.14

OFFICE OF THE
ASSISTANT SECRETARY OF WAR,
PROCUREMENT DIVISION
PLANNING BRANCH
EFK JANY. 1923

Drawing No. 14

EXHIBIT NO. 1105

[OJG:MCM Tel. War Br. 2704, Mun. 3075]

MEMORANDUM TO MR. TILLSON:

1. Pursuant to your recent request, I am attaching a statement which will show the actual expenditures of the Ordnance Department from April 6, 1919, to November 30, 1919, grouped under 12 major headings.

2. A brief summary of the entire situation is as follows:

Actually expended from April 6, 1917, until Nov. 30, 1919	$4, 549, 765, 744. 98
Still expected to be paid on uncanceled portions of contracts incurred prior to Nov. 11, 1918	400, 000, 000. 00
Claims still to be paid on uncanceled portions of old contracts (approximately)	200, 000, 000. 00
Expected expenditures to be made in overhauling and storing war matériel as the result of the war	130, 000, 000. 00
Total	$5, 279, 765, 744. 98

3. The total expenditure of the Ordnance Department for the fiscal year 1916, which may be assumed as an average year prior to the war, was $16,580,421.00. Assuming this average for the period from April 6, 1917, until April 6, 1920, the normal expenditure of the Ordnance Department would have been $50,241,263.00 for these three years. Deducting this amount leaves as an approximate cost of the war for the Ordnance Department $5,229,324,481.98, or roughly, in round figures, five and a quarter billion dollars.

4. Of the $4,549,765,744.98 actually expended, the allocation by principal items of Ordnance material is shown on the attached list. The amounts are accurately allocated on 85% of this amount, the other 15% being allocated in the same proportion as the 85% which is believed to be a reasonably fair assumption. I have no data as to the allocation by items of the expenditures remaining to be made. It is believed, however, that by far the greater proportion will be for artillery and artillery ammunition.

5. With reference to the matériel on hand which the Ordnance Department has to show for this tremendous expenditure of money, you will find in exhibit 1, page 9, serial 6, part 1 of the hearings before the Ordnance Subcommittee of the Select Committee on Expenditures in the War Department of the House of Representatives, a statement showing the number of machine guns on hand at the beginning of the war; the number acquired in the United States since April 6, 1917; the number acquired from allied countries; the number now on hand; and the approximate cost per unit. Similarly, the principal items of Ordnance matériel of this nature appear in that exhibit.

6. Exhibit 2, appearing on page 15, the same serial and part, indicates the quantities of artillery ammunition in the same way.

7. The schedule on page 18 indicates the quantities of explosives and unloaded ammunition.

8. Exhibit 3 on page 24 indicates the principal types of artillery matériel of United States production, foreign production, and on hand.

9. Page 34 shows the small-arms ammunition produced and on hand.

10. The list on page 13 indicates the number of tractors and tanks. More detailed information in this connection is given in the testimony of General Rockenback at page 541, et seq., in connection with tanks of American and foreign manufacture.

11. Also, you will find a great deal of information regarding the Chemical Warfare testimony in the testimony of General Sibert on pages 444, et seq., including the statement on total disbursements by the Chemical Warfare Service from August 1, 1918, to June 30, 1919. This statement also includes expenditures "by other Departments prior to the organization of the Chemical Warfare Service."

12. In serial 6, part 43, page 2373 of the hearings before Mr. Graham's Subcommittee, appear statistics regarding expenditures in the War Department by services or bureaus as furnished by the Director of Finance, and as shown by the data made by Messrs. Warwick, Mitchell, Peat & Co. Those figures only apply up to June 1, 1919. Subsequent figures to those have been obtained in preparing the statement above appearing in the second paragraph of this letter.

By order of the Chief of Ordnance.

O. J. GATCHELL,
Lt. Col., Ord. Dept., U. S. A.,
Executive Ass't. to Chief of Ordnance.

EXHIBIT NO. 1105–A

Ordnance Department expenditures

Class no.	Classification	Apr. 6, 1917, to Feb. 28, 1919, from audit section records		Apr. 6, 1917, to Nov. 30, 1919, from director of finance	
		Amount	Percent	Amount	Percent
1	Mountain, field, siege, and antiaircraft artillery, including guns, mounts, carriages, caissons, optical and fire-control instruments, repairs, replacements, tools and accessories, and plant facilities for their manufacture	$412, 263, 866. 44	10. 90	$495, 924, 466. 21	10. 90
2	Ammunition for mountain, field, siege and antiaircraft artillery, including plant facilities for their manufacture	1, 867, 141, 896. 03	49. 32	2, 243, 944, 464. 53	49. 32
3	Seacoast artillery, including that for Panama and the insular possessions, with their mounts, optical and fire-control instruments, repairs, replacements, tools and accessories, submarine mines, radiodynamic torpedoes, and plant facilities for their manufacture	13, 505, 670. 14	. 35	15, 924, 180. 11	. 35
4	Ammunition for seacoast artillery, including plant facilities for their manufacture	31, 150, 106. 38	. 82	37, 308, 079. 11	. 82
5	Machine guns and automatic rifles, including guns, mounts, tripods, optical and fire-control instruments, repairs, replacements, tools and accessories, and plant facilities for their manufacture	179, 604, 966. 66	4. 75	216, 113, 872. 89	4. 75
6	Small arms, including rifles, shotguns, pistols, sabers, bolos, optical and fire-control instruments, repairs, replacements, tools and accessories, and plant facilities for their manufacture	162, 334, 618. 18	4. 30	195, 639, 927. 03	4. 30
7	Ammunition for small arms, machine guns and automatic rifles, including plant facilities for their manufacture	242, 327, 963. 83	6. 40	291, 185, 007. 68	6. 40
8	Trench and aerial warfare matériel; optical and fire-control instruments; illuminating and signaling devices; bombs; gas, flame, and smoke apparatus; trench mortars; shells, etc.; and plant facilities for their manufacture	94, 840, 310. 74	2. 57	116, 928, 979. 64	2. 57
9	Transportation vehicles and equipment, horse-drawn, motorized, and railway, for artillery, ammunition, machine guns, infantry, etc., including plant facilities for their manufacture	298, 784, 139. 32	7. 90	359, 431, 493. 85	7. 90
10	Armored motor cars, tanks, tractors, trailers, repairs and replacements, tools and accessories, including plant facilities for their manufacture	39, 551, 375. 90	1. 04	47, 317, 563. 74	1. 04
11	Ordnance equipment and supplies, personal equipment, entrenching tools, construction and repair tools, and other supplies, including plant facilities for their manufacture	198, 910, 561. 84	5. 25	238, 862, 701. 61	5. 25
12	Arsenals, proving grounds, ordnance depots, operating divisions, barracks, terminal storage and shipping facilities, nitrate plant, powder factory, their repair, maintenance and operation, of which $163,794,834.73 was expended for permanent improvements	242, 440, 090. 03	6. 40	291, 185, 007. 68	6. 40
	Total expenditures from Apr. 6, 1917, to Feb. 28, 1919	3, 782, 855, 565. 49	100. 0		
	Total expenditures from Apr. 6, 1917, to Nov. 30, 1919			4, 549, 765, 744. 98	100. 00

EXHIBIT NO. 1106

SOME GROSS WARTIME EXPENDITURES

"It is shown on the books of the War Department that the total expenditures and obligations of the War Department (from Apr. 6, 1917), until September 1, 1919, were $18,501,117,999.12." (Source: Select Committee on Expenditures in the War Department [Graham Committee]. Expenditures in the Ordnance Department. Mar. 2, 1921 (66th Cong., 3d sess.), Rept. no. 1400, p. 67. Hearings Before the Select Committee, serial 1, vol. 3, p. 651.)

Expenditures by Army bureaus

	Expended to Apr. 30, 1919	Percent
Quartermaster Corps:		
Pay of the Army, etc	$1,831,273,000	12.9
Other Quartermaster Corps appropriations	6,242,745,000	43.8
Ordnance Department	4,087,347,000	28.7
Air Service	859,291,000	6.0
Engineer Corps	638,974,000	4.5
Medical Department	314,544,000	2.2
Signal Corps	128,920,000	.9
Chemical Warfare Service	83,299,000	.6
Provost Marshal General	[1] 24,301,000	.17
Secretary's office and miscellaneous	[1] 33,367,000	.23
Total	14,244,061,000	100.00

[1] Figures are for Dec. 31, 1918. Expenditures since that date for these purposes have been small compared with other items in table.

The Quartermaster Corps, which paid the soldiers and furnished them with food, clothing, equipment, and miscellaneous supplies, spent the most. The Ordnance Department was next in order, with over $4,000,000,000 for munitions, more than half of its expenditure being for artillery ammunition. (Source: The War with Germany, by Leonard P. Ayres, p. 133.)

Ordnance Department expenditures, April 6, 1917, to November 30, 1919

[Source: War Department, Office of the Chief of Ordnance, Document No. 0.0. 112.8/22, dated January 1920]

Class no.	Classification	Expenditures	
		Amount	Percent of total
1	Mountain, field, siege, and antiaircraft artillery, including guns, mounts, carriages, caissons, optical and fire-control instruments, repairs, replacements, tools and accessories, and plant facilities for their manufacture	$495,924,466.21	10.90
2	Ammunition for mountain, field, siege, and antiaircraft artillery, including plant facilities for their manufacture	2,243,944,464.53	49.32
3	Seacoast artillery, including that for Panama and the insular possessions, with their mounts, optical, and fire-control instruments, repairs, replacements, tools, and accessories, submarine mines, radiodynamic torpedoes, and plant facilities for their manufacture	15,924,180.11	.35
4	Ammunition for seacoast artillery including plant facilities for their manufacture	37,308,079.11	.82
5	Machine guns and automatic rifles, including guns, mounts, tripods, optical and fire-control instruments, repairs, replacements, tools, and accessories, and plant facilities for their manufacture	216,113,872.09	4.75
6	Small arms, including rifles, shotguns, pistols, sabers, bolos, optical and fire-control instruments, repairs, replacements, tools, and accessories, and plant facilities for their manufacture	195,639,927.03	4.30
7	Ammunition for small arms, machine guns, and automatic rifles, including plant facilities for their manufacture	291,185,007.68	6.40
8	Trench and aerial-warfare material, optical and fire-control instruments, illuminating and signaling devices, bombs, gas, flame and smoke apparatus, trench mortars, shells, etc., and plant facilities for their manufacture	116,928,979.64	2.57
9	Transportation vehicles and equipment, horse-drawn, motorized, and railway, for artillery, ammunition, machine guns, infantry, etc., including plant facilities for their manufacture	359,431,493.85	7.90
10	Armored motor cars, tanks, tractors, trailers, repairs and replacements, tools, and accessories, including plant facilities for their manufacture	47,317,563.74	1.04
11	Odnance equipment and supplies, personal equipment, intrenching tools, construction and repair tools, and other supplies, including plant facilities for their manufacture	238,862,701.61	5.25
12	Arsenals, proving grounds, ordnance depots, operating divisions, barracks, terminal storage and shipping facilities, nitrate plant, powder factory, their repair, maintenance, and operation, of which $196,500,000 was expended for permanent improvements	291,185,007.68	6.40
	Total expenditures from April 6, 1917, to November 30, 1919	4,549,765,744.98	100.00

Aside from the actual expenditures of the Ordnance Department listed above, there were additional expenditures expected at the time (January 1920). These are summarized in a memorandum by O. J. Gatchell, then Lt. Col., Ordnance Dept., U.S.A., executive assistant to the Chief of Ordnance, dated January 16, 1920:

Actually expended from April 6, 1917, until Nov. 30, 1919	$4, 549, 765, 744. 98
Still expected to be paid on uncancelled portions of contracts incurred prior to Nov. 11, 1918	400, 000, 000. 00
Claims still to be paid on uncancelled portions of old contracts (approximately)	200, 000, 000. 00
Expected expenditures to be made in overhauling and storing war material as the result of the war	130, 000, 000. 00
Total	5, 279, 765, 744. 98

The total expenditure of the Ordnance Department for the fiscal year 1916, which may be assumed as an average year prior to the war, was $16,580,421.00. Assuming this average for the period from April 6, 1917, until April 6, 1920, the normal expenditure of the Ordnance Department would have been $50,241,263.00 for these three years. Deducting this amount leaves as an approximate cost of the war for the Ordnance Department $5,229,324,481.98, or in round figures five and a quarter billion dollars.

Source: War Department, Office of the Chief of Ordnance, Document No. 0.0. 112.8/23.

Expenditure of the Quartermaster Corps from April 6, 1917, up to and including December 1, 1918

Spent within the United States	$6, 196, 561, 573. 26
Spent overseas	558, 204, 592. 00
Total	6, 754, 766, 165. 26

Included in the above sum, of course, are expenditures for an immense number and variety of items, the larger of which are listed below. The source for these materials is an undated War Department document, entitled "Report dealing with the procurement and supply operations of the Quartermaster General from April 6, 1917, to December 1, 1918, and with the method of procuring, commissioning, and promoting personnel." Unless otherwise indicated *all figures are for this peroid and refer exclusively to the Quartermaster Corps.* The table on expenditures above is from data on page 1 of the report. The figures below whose source is stated to be an exhibit identified by number or letter are from exhibits accompanying the report.

Expenditures on supplies

[Source: Quartermaster General report, finance exhibit no. 1]

Clothing and equipage	$2, 288, 291, 540. 32
Subsistence	727, 092, 430. 44
General supplies	166, 230, 619. 42
Forage	139, 824, 699. 20
Fuel	72, 450, 453. 53
Total	3, 393, 889, 742. 91

[Source: Quartermaster General report, finance exhibit no. 2]

Pay of the Army	$1, 287, 197, 405. 24

Transportation of the Army

[Source: Quartermaster General report, finance exhibit no. 3]

Total	$933, 353, 406. 62
Of which the larger items are:	
Autos, trucks, motorcycles, bicycles, purchase and repair	590, 567, 959. 03
Transport charter, harbor and artillery boats	129, 762, 651. 77
Transportation of troops	85, 830, 400. 23

Construction and repair

[Source: Quartermaster General report, finance exhibit no. 4]

Total	$774, 327, 469. 11
Of which the larger items are:	
Barracks, quarters	440, 007, 739. 43
Construction and repair of hospitals	167, 866, 242. 60
Roads, walks, wharves, and drainage	60, 906, 087. 24
Heating and lighting systems, post bakeries, laundries, etc	53, 214, 867. 08
Water systems	43, 093, 100. 74

Inland and Port Storage and shipping facilities construction

[Source: Quartermaster General report, finance exhibit no. 5]

Total	$205, 818, 086. 89
Of which the larger items are:	
Joint reserve depots:	
Expeditionary depots	136, 882, 703. 68
Ordnance depots	26, 443, 698. 00
Quartermaster depots	19, 652, 468. 73
Addition at various camps	6, 570, 117. 45

Purchases of subsistence stores, from July 1, 1918, to Dec. 1, 1918

[Source: Q.M.G. report, Exhibit B]

Article	Unit	Quantity	Average price	Total value
Beef, fresh and fresh frozen	Pound	233, 020, 305	$0. 2565	$59, 759, 181
Beef, corned	Pound	78, 688, 531	. 414	32, 588, 290
Beef, fresh, roast	Pound	32, 514, 192	. 5134	16, 693, 837
Bacon, issue	Pound	83, 872, 207	. 4555	38, 202, 672
Fish, salmon	Pound	92, 671, 500	. 1383	12, 817, 747
Flour, issue	Pound	400, 080, 621	. 0549	21, 974, 047
Bread, hard	Pound	70, 342, 731	. 1516	10, 662, 254
Tomatoes, canned	Pound	292, 828, 207	. 0683	19, 998, 424
Potatoes, fresh	Pound	142, 708, 025	. 0279	3, 982, 970
Vegetables, dehydrated	Pound	27, 276, 688	. 2615	7, 134, 469
Sugar, granulated	Pound	125, 556, 471	. 0827	10, 389, 192
Milk, evaporated	Pound	94, 659, 939	. 117	11, 093, 562

Procurement of gasoline, oil, etc., from Apr. 1, 1918, to Nov. 1, 1918

[Source: Q.M.G. report, Exhibit F]

Item	Unit	Total quantity purchased Apr. 1, 1918, to Nov. 1, 1918	Value	
			Average unit Price Apr. 1, 1918, to Nov. 1, 1918	Amount
Lubricating oils	Gallons	4, 487, 067	$0. 46	$2, 061, 407. 40
Fuel oils	Gallons	30, 984, 134	. 07	2, 195, 463. 12
Aviation gasoline	Gallons	12, 066, 414	. 254	3, 060, 119. 48
Motor gasoline	Gallons	52, 374, 066	. 227	11, 885, 012. 84
Aviation naptha	Gallons	3, 297, 500	. 328	1, 084, 666. 25
Fighting naptha	Gallons	4, 021, 500	. 412	1, 657, 713. 75

Status of motor vehicles and approximate valuation, as of Nov. 11, 1918

[Source: Q.M.G. report, Exhibit G]

	Total no. ordered to Nov. 11	Value of no. ordered	Total no. completed to Nov. 11	Value of number completed	Due on outstanding contracts Nov. 11	Value of outstanding contracts
Trucks and chassis	208, 032	$577, 567, 300	83, 390	$217, 689, 400	124, 642	$359, 877, 900
Bodies	187, 801	54, 674, 700	87, 208	27, 156, 000	100, 593	29, 618, 700
Passengers cars	38, 460	33, 676, 800	17, 666	16, 509, 400	20, 794	17, 167, 400
Motorcycles	67, 881	20, 364, 300	28, 310	8, 493, 000	39, 571	11, 871, 300
Trailers	40, 720	25, 531, 440	15, 021	9, 418, 167	25, 699	16, 113, 273
Total (including side cars and bicycles)		720, 271, 170		282, 478, 359		439, 892, 811

NOTE.—Total amount expended and obligated for autos, trucks, motorcycles, bicycles, purchase, and repair in United States from April 2, 1917, to December 1, 1918, $590,567.959.03, with estimated savings on contracts to be canceled of $208,000,000.00. Figures in above chart are for amounts contracted for and expended in United States and overseas; consequently are more than expended in United States alone.

EXHIBIT "J–1"

Value of the principal quartermaster items in stock on hand, in the United States and overseas, as of Dec. 1, 1918

[Source: Exhibit O, Q.M.G. report]

Clothing & equipage	$605, 802, 646
Clothing & equipage materials	225, 885, 603
Subsistence	263, 440, 083
Motors	66, 294, 769
Vehicles	11, 594, 849
Remount	110, 619, 668
Forage	24, 801, 232
Harness	19, 893, 415
General supplies	15, 626, 896
Raw materials	8, 584, 999
Total	1, 352, 544, 160

Costs of camp construction

[Source: Select Committee on Expenditures in the War Department, hereafter referred to as the Graham Committee, Report on Camps, Apr. 10, 1920, H. R. (66th Cong., 2d session) Report No. 186, p. 117; Hearings Before the Select Committee, serial 1, volume 3, p. 379]

Name of camp	*Approx. costs* [1]
Camp Lee	$19, 060, 920
Camp Meade	18, 614, 020
Camp Upton	15, 370, 820
Camp Grant	14, 689, 620
Camp Pike	[2] 13, 505, 320
Camp Custer	13, 385, 920
Camp Sherman	13, 247, 620
Camp Dix	13, 109, 220
Camp Jackson	[2] 12, 710, 720
Camp Devens	12, 311, 420
Camp Funston	11, 715, 520
Camp Gordon	[2] 11, 639, 420
Camp Dodge	10, 365, 120
Camp Lewis	[2] 9, 231, 420
Camp Taylor	8, 861, 120
Camp Travis	[2] 8, 805, 720
Total	206, 632, 920

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[1] "Approx. costs" were found in the Annual Reports of the Construction Division for 1919, published in 1920, plus freight and audit-force charges as furnished by the construction division, not included in costs shown by their report.

[2] Southern construction estimated to cost 6 percent less than northern.

"It is probable that the approximate amount expended by the United States in the matter of procuring poisonous gases during the war for defensive and offensive purposes was approximately $200,000,000." (Source: Graham Committee, Report No. 1400, p. 8; volume p. 592.)

"Contracts awarded for these machines (22,772 tractors) approximated $100,000,000. Approximately 7,500 tractors were delivered on the contracts, at an expense of approximately $30,000,000 to the Government." (Source: Graham Committee, Report No. 1400, p. 9, volume p. 593.)

"We had 53 contracts for 37-millimeter shells, on which we expended $9,134,582.

"We had 689 contracts for 75-millimeter shells, on which we expended $301,941,459.

"We had 142 contracts for 3-inch shells, on which we expended $44,841,844.

"We had 439 contracts for 4.7 shells, on which we expended $41,716,051.

"We had 305 contracts for 6-inch shells, on which we expended $24,189,075.

"We had 617 contracts for 155-millimeter shells, on which we expended $264,955,387.

"We had 301 contracts for 8-inch shells, on which we expended $51,371,207.

"We had 152 contracts for 240-millimeter shells, on which we expended $24,136,867.

"We had 239 contracts for 9.2 shells, on which we expended $54,389,377.

"We had 71 contracts for 12-inch shells, on which we expended $9,507,878.

"We had 6 contracts for 14-inch shells, on which we spent $1,266,477.

"We let 111 contracts, to the amount of $478,828,345, for the construction of artillery of all calibers, guns, howitzers, gun carriages, limbers, and recuperators." (Source: Graham Committee, Report No. 1400, p. 28; volume p . 612.)

"During the period of the war the War Department undertook the construction of seven Army supply bases and port terminals. These were located at Boston, Mass.; Brooklyn, N.Y.; Norfolk, Va.; Charleston, S.C.; New Orleans, La.; Philadelphia, Pa.; and Newark, N.J. The plans were apparently worked out in the fall of 1917, and construction begun early in August 1918. These works were very extensive, and the costs, as given to the committee by the War Department on each project, were as follows:

Boston, Mass	$24, 787, 000
Brooklyn, N.Y	32, 037, 000
Newark, N.J	11, 790, 000
Philadelphia, Pa	13, 850, 000
Norfolk, Va	28, 860, 000
Charleston, S.C	17, 116, 000
New Orleans, La	13, 110, 000
Total	141, 550, 000

[Source: Graham Committee, Report No. 1400, pp. 42–43; volume pp. 626–627]

Exhibit No. 1107

Cost of construction by the War Department during the World War

1. Cantonment construction	$496, 389, 705. 71
2. Facilities construction (operated by industry)	442, 530, 890. 17
3. Facilities construction (operated by Government)	332, 402, 348. 94
Total	1, 271, 322, 944. 82

Planning Branch, Office of The Assistant Secretary of War, December 8, 1934.

EXHIBIT No. 1108

Advance payments held by Du Pont Co., by months from 1914–1918, inclusive

	1914	1915	1916	1917	1918
January		$13, 567, 913. 74	$102, 386, 985. 77	$31, 004, 489. 01	$47, 055, 528. 37
February		17, 370, 528. 57	93, 382, 436. 81	25, 460, 716. 11	42, 606, 789. 29
March		24, 565, 578. 80	86, 727, 448. 62	41, 568, 658. 90	41, 437, 174 36
April		39, 967, 342. 45	77, 174, 989. 39	35, 401, 887. 62	36, 811, 537. 88
May		47, 057, 243. 26	68, 694, 429. 80	28, 455, 010. 46	31, 518, 213. 14
June		45, 677, 432. 56	58, 886, 620. 12	24, 848, 561. 15	28, 737, 277. 81
July		63, 143, 895. 09	50, 602, 290. 83	25, 535, 834. 67	27, 142, 658. 84
August		66, 622, 039. 95	39, 252, 773. 54	25, 143, 942. 63	24, 546, 409. 01
September		85, 449, 332. 91	29, 469, 301. 64	24, 165, 143. 46	27, 360, 603. 81
October	$6, 065, 950. 00	83, 618, 209. 46	33, 127, 760. 16	24, 280, 939. 87	27, 502, 411. 47
November	6, 093, 046. 93	91, 138, 661. 65	24, 300, 157. 04	22, 139, 860. 07	
December	6, 815, 634. 55	97, 199, 305. 04	32, 833, 492. 24	19, 068, 711. 12	

EXHIBIT No. 1109

Military contracts

Year	Gross value	Cannon powder			Rifle, smokeless		
		Lbs.	Value	Average contract price	Lbs.	Value	Average contract price
1914	$19, 469, 033	12, 400, 909	$11, 943, 230	$0. 9631	3, 202, 055	$3, 187, 003	$0. 9953
1915	319, 716, 448	251, 089, 710	227, 458, 823	. 9058	47, 154, 010	42, 821, 732	. 9081
1916	182, 352, 589	286, 304, 827	143, 690, 729	. 5019	31, 550, 420	20, 596, 020	. 6528
1917	313, 781, 785	462, 830, 380	237, 464, 414	. 5130	47, 202, 000	28, 393, 271	. 6015
1918	*410, 243, 931	389, 191, 405	176, 001, 135	. 4522	50, 471, 807	29, 430, 015	. 5831
Total	1, 245, 563, 786	1, 401, 817, 231	796, 558, 331	. 5682	179, 580, 292	124, 428, 041	. 6928
	19, 469, 033	12, 400, 909					
	1, 226, 094, 753	1, 389, 416, 322					

Year	TNT			Black powder		Caps and fuzes		Miscellaneous value
	Lbs.	Value	Average contract price	Lbs.	Value	Amount	Value	
1914	2, 360, 000	$2, 027, 000	$0. 8589					$2, 311, 800
1915	27, 593, 360	26, 605, 374	. 9642	2, 548, 545	$602, 032	14, 550, 000	$2, 103, 500	20, 124, 987
1916	15, 351, 000	12, 680, 775	. 8260	918, 100	358, 045	15, 792, 000	3, 085, 450	1, 941, 570
1917	61, 810, 075	31, 016, 508	. 5018	2, 877, 430	717, 901	7, 465, 520	619, 320	15, 570, 371
1918	119, 233, 505	39, 872, 031	. 3344	8, 596, 294	2, 250, 348	94, 881, 225	2, 543, 518	*160,086,884
Total	226, 347, 940	112, 201, 688	. 4957	14, 940, 369	3, 928, 326	132, 688, 745	8, 351, 788	200, 035, 612

* Totals for year 1918 include du Pont engineering contracts. Figures marked with "*" include amounts in original contracts estimated as necessary for construction purposes.

EXHIBIT No. 1109

Military contracts—Continued

SUBDIVISION OF 1918 CONTRACTS

Year	Gross value	Cannon powder			Rifle, smokeless		
		Lbs.	Value	Average contract price	Lbs.	Value	Average contract price
du Pont Company	$214, 568, 932	248, 391, 405	$113,345,135	$0. 4563	45, 471, 807	$26, 805, 015	$0. 5894
du Pont Eng. Co.	195, 674, 999	140, 800, 000	62, 656, 000	. 445	5, 000, 000	2, 625, 000	. 525
		1, 389, 416, 322					
		1, 248, 616, 322					

Year	TNT			Black powder		Caps and fuzes		Miscellaneous value
	Lbs.	Value	Average contract price	Lbs.	Value	Amount	Value	
du Pont Company	47, 233, 505	$18, 401, 631	$0. 3908	8, 596, 294	$2, 250, 348	94, 881, 225	$2, 543, 518	$51, 163, 285
du Pont Eng. Co.	72, 000, 000	21, 470, 400	. 2982					108, 923, 599

The average price of cannon powder on contracts taken 1915 to 1918 is $0.5647 per pound. This includes du Pont Engineering Company contracts.

1914–18	1914
Lbs.	
1, 401, 817, 231	$12, 400, 909
179, 580, 292	3, 202, 055
226, 347, 940	2, 360, 000
14, 940, 369	
1, 822, 685, 832	17, 962, 964
17, 962, 964	
1, 804, 722, 868	

Caps & fuzes	$8, 351, 768
Miscellaneous	200, 035, 612
	208, 387, 400
Less 1914	2, 311, 800
	206, 075, 600
	1, 226, 094, 753
	1, 020, 019, 153

No. contracts 1914–18
50
95
92
59
90
10
82
88
73
7

646
10 1914

636

EXHIBIT NO. 1110

E. I. du Pont de Nemours & Company, issues of capital underwritten Oct. 1, 1915,[1] to Nov. 22, 1934

Date	Description	Issued			Portion of total subscription retained by—		Underwritten		Remarks		
		Shares	Par value	Offered price	Du Pont	Underwriter	By	At			
May 1921	7½% ten-year gold bonds.		$35,000,000	$35,000,000	$33,250,000	[2] $1,750,000	J. P. Morgan & Co.	95	Public offering.		
December 1925	6% debenture stock callable at $125.	100,000	10,000,000	10,000,000	9,700,000	[3] 300,000	J. P. Morgan & Co.	97	Offered to debenture-stock holders pro rata to their holdings at $100.00 per share:		
										Shares	% of total
									Rights exercised	40,662	40.66
									By underwriter	59,338	59.34
										100,000	100.00
April 1928	6% debenture stock callable at $125.	101,575	10,157,500	11,681,125	11,376,400	[4] 304,725	J. P. Morgan & Co.	112	Offered to debenture-stock holders pro rata to holdings at $115.00 per share:		
										Shares	% of total
									Rights exercised	95,495	94.01
									By underwriter	6,080	5.99
										101,575	100.00
			55,157,500	56,681,125	54,326,400	2,354,725					

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[1] Furthermore there were no such issues by E. I. du Pont de Nemours Powder Company during 1914 and up to Oct. 1, 1915.

[2] Charged to surplus (through earnings) $5 per $100 of bonds issued.

[3] Charged to surplus (through earnings) $3 per each share issued.

[4] Charged to surplus $3 per each share issued, netted with credit to surplus of $15 per each share issued.

Exhibit No. 1111

The following compilation was based upon data contained in the files of the Bureau of Internal Revenue and indicates the net taxable income, invested capital and the percentage of net income to invested capital of the following companies for the years of 1916-20, inclusive:

Metals industry

AMERICAN BRASS CO.

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1916	$20, 128, 312. 54	$39, 019, 675. 40	51. 59
1917	13, 427, 757. 04	56, 486, 517. 80	23. 77
1918	8, 180, 547. 30	61, 332, 495. 44	13. 33
1919	4, 102, 210. 74	64, 376, 918. 03	6. 37
1920	1, 213, 344. 51	62, 049, 494. 67	1. 96

BETHLEHEM STEEL CORPORATION

1916	$5, 504, 547. 56	$41, 726, 787. 83	13. 19
1917	61, 810, 017. 06	140, 792, 430. 42	43. 902
1918	16, 432, 934. 71	196, 294, 174. 07	8. 371
1919	12, 781, 779. 32	199, 066, 918. 02	6. 220
1920	12, 231, 527. 04	202, 700, 997. 83	6. 034

JONES & LAUGHLIN STEEL CO.

1916	$20, 254, 737. 65	$95, 356, 723. 61	21. 241
1917	48, 869, 577. 22	103, 057, 128. 74	47. 420
1918	29, 654, 130. 20	139, 540, 274. 53	21. 251
1919	16, 970, 731. 57	151, 008, 060. 66	11. 238
1920	32, 288, 372. 27	153, 486, 461. 85	47. 536

Munitions industries

ATLAS POWDER CO.

1916	$3, 169, 174. 52	$16, 474, 773. 80	19. 263
1917	4, 530, 343. 95	16, 450, 745. 16	27. 528
1918	2, 564, 279. 90	18, 523, 948. 42	13. 843
1919	1, 917, 445. 21	18, 637, 358. 80	1. 029
1920	969, 685. 55	19, 404, 281. 87	. 499

E. W. BLISS & CO.

1916	$9, 592, 853. 86	$17, 230, 560. 90	5. 56
1917	1, 080, 650. 95	16, 846, 572. 07	6. 41
1918	1, 468, 041. 71	17, 441, 130. 05	8. 42
1919	2, 514, 445. 47	18, 169, 812. 89	13. 84
1920	1, 484, 657. 35	20, 163, 844. 82	7. 04

COLT'S PATENT FIRE ARMS CO.

1916	$5, 799, 586. 38	$9, 628, 756. 46	60. 231
1917	5, 797, 793. 87	8, 932, 106. 15	64. 910
1918	5, 693, 152. 17	11, 113, 685. 68	51. 227
1919	980, 844. 08	13, 308, 669. 69	7. 370
1920	843, 599. 98	10, 516, 615. 22	8. 022

Munitions industries—Continued

MIDVALE STEEL & ORDNANCE CO.

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1916	$2,904,600.94	$129,479,256.13	02.24
1917	60,454,765.97	139,292,249.27	43.401
1918	14,389,989.03	168,314,504.04	8.55
1919	10,282,890.67	159,604,072.70	6.4
1920	14,070,756.23	166,994,164.83	8.42

SAVAGE ARMS CORPORATION

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1916	$2,964,107.38	$14,929,583.08	19.86
1917	6,517,564.54	10,017,299.16	65.08
1918	6,917,381.73	15,810,910.17	43.75
1919	1,637,129.15	18,400,892.97	08.9
1920	(1,421,436.23)	16,062,034.07	--------

WESTERN CARTRIDGE CO.

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1916	$650,816.08	$1,303,400.00	49.932
1917	1,107,252.35	3,132,521.24	35.347
1918	1,598,540.96	4,031,494.30	39.651
1919	761,802.48	4,769,855.76	15.921
1920	(63,566.00)	4,409,887.60	0

WINCHESTER REPEATING ARMS CO.

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1916	$2,339,018.75	----------------	--------
1917	(432,831.23)	$18,878,085.88	0
1918	4,934,032.21	21,627,741.09	22.81
1919	3,828,848.44	22,102,929.91	17.55
1920	(116,260.02)	30,238,258.19	0

Shipbuilding industry

BETHLEHEM SHIPBUILDING CORPORATION

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1917	$569,434.06	$16,524,826.19	3.45
1918	6,741,735.53	16,516,053.82	40.82
1919	12,627,238.17	19,986,231.97	63.18
1920	5,692,389.07	32,001,040.65	17.79

NEW YORK SHIPBUILDING CO.

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1918	$2,984,621.08	$7,197,649.82	41.466
1919	3,852,183.13	7,741,951.50	49.757
1920	4,270,500.12	9,123,887.24	46.805

NEWPORT NEWS SHIPBUILDING & DRYDOCK CO.

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1916	$814,891.04	$4,222,557.45	19.30
1917	3,298,601.13	3,822,549.44	86.29
1918	3,990,311.27	5,500,091.75	72.55
1919	4,916,655.58	6,932,791.21	70.92
1920	5,764,089.69	7,667,134.10	75.18

MISCELLANEOUS INDUSTRIES

Shell loading

BETHLEHEM LOADING CO.

Year	Net taxable income	Invested capital	Percent of net income to invested capital
1918	$151,518.58	$41,833.33	362.196
1919	20,232.24	150,161.09	13.473

Exhibit No. 1112

Statistical Section—Income Tax Unit

[Individuals reporting net income of $1,000,000 or over for any one or more of the years 1917–1920, showing names and addresses as of 1920 and indicating by an asterisk the years from 1915 to 1920 in which net income was $1,000,000 or over]

Name and address	1915	1916	1917	1918	1919	1920
Ahnelt, William P., Deal, New Jersey	------	------	------	------	*	------
Andrus, J. E., Yonkers, New York	*	*	*	------	------	------
Arbuckle, Christina, New York City, N.Y	*	*	*	*	*	*
Armstrong, W. M., and wife, Los Angeles, California	------	------	------	------	*	------
Astor, John Jacob, New York City, N.Y	------	------	------	------	------	*
Astor, Vincent, New York City, N.Y	*	*	*	*	*	------
Astor, Waldorf, New York, N.Y	------	------	*	------	------	*
Baker, George F., New York City, N.Y	*	*	*	*	------	------
Bauernschmidt, Fred, Baltimore, Maryland	------	------	------	*	------	------
Beebe, Junius, Wakefield, Massachusetts	------	------	------	------	*	------
Beebe, Marcus, Boston, Massachusetts	------	------	------	------	*	------
Benedum, M. L., Pittsburgh, Pennsylvania	------	------	------	------	*	------
Berwind, Edward J., New York City, N.Y	*	*	*	*	------	------
Bingham, Harry Payne, New York City, N.Y	------	------	*	------	------	------
Bingham, William 2nd, Cleveland, Ohio	------	------	*	------	------	------
Blossom, Elizabeth B., Cleveland, Ohio	------	------	*	------	------	------
Blum, Herbert J., Chicago, Illinois	------	------	------	------	*	------
Blunt, Cecil Charles, Paris, France	------	------	*	------	------	------
Bolton, Frances P., Cleveland, Ohio	------	------	*	------	------	------
Bostwick, Helen C., New York City, N.Y	*	*	*	*	*	------
Bourne, Frederick G., New York City, N.Y	*	*	*	*	------	------
Brady, James C., Albany, New York	*	*	*	------	------	------
Brown, W. Harry, Pittsburgh, Pennsylvania	------	------	*	------	------	------
Candler, Asa G., Atlanta, Georgia	*	*	*	------	------	------
Cannon, James W., Concord, North Carolina	------	*	------	------	------	*
Carnegie, Andrew, Hoboken, New Jersey	*	*	*	------	------	------
Chapman, James A., Tulsa, Oklahoma	------	------	*	------	------	------
Chapman, P. A., Waxahachie, Texas	------	*	*	------	------	------
Ciotti, Andrew, Baltimore, Maryland	------	------	------	------	*	------
Clark, William A., New York City, N.Y	*	*	*;	*	------	------
Cochran, Alex Smith, New York, N.Y	*	*	*	*	------	------
Converse, Edmund C., Greenwich, Connecticut	*	*	*	*	------	------
Couzens, James, Detroit, Mich	*	------	*	------	*	------
Cowles, Russel A., New York, N Y	------	*	*	------	------	------
Crane, R. T., Jr., Chicago, Illinois	------	------	------	------	------	*
Curran, Maurice J., Andover, Massachusetts	------	------	*	------	------	------
Curtis, Cyrus H. K., Wyncote, Pennsylvania	*	*	*	*	*	------
Cutten, Arthur W., Chicago, Ill	------	*	*	------	------	------
Davison, Henry P., New York, N.Y	*	*	*	------	------	------
Dearborn, George S., New York City, N.Y	------	*	*	------	------	------
DeLamar, Joseph R., New York City, N.Y	*	*	*	------	------	------
Dodge, Cleveland H., New York, N.Y	*	*	*	*	------	------
Dodge, Horace E., Grosse Point, Michigan	------	------	------	------	*	------
Dodge, John F., Detroit, Michigan	------	------	------	------	*	------
Dodge, Mary M. H. (Miss), New York, N.Y	------	*	*	------	------	------
Douglas, James, New York, N.Y	*	*	*	------	------	------
Duisberg, Carl, Leverkusen, Germany	------	------	------	*	------	------
Duke, James B., Somerville, New Jersey	------	*	*	*	------	------
Du Pont, Alfred I., Wilmington, Delaware	*	*	*	*	*	------
Du Pont, Mr. Francis G. (Elsie W.), Wilmington, Delaware	------	*	*	------	------	------
Du Pont, Henry F., Winterthur, Delaware	------	*	*	------	------	------
Du Pont, Pierre S., Wilmington, Delaware	*	*	*	*	*	------
Du Pont, Thomas Coleman, Wilmington, Delaware	*	*	*	------	------	------
Du Pont, William, Wilmington, Delaware	*	*	*	*	------	------
Durant, William C., Deal, New Jersey	------	*	------	------	*	------
Eastman, George, Rochester, New York	*	*	*	*	*	*
Ehret, George, Sr., New York, N.Y	*	*	*	------	*	------
Elkins, George W., Philadelphia, Pennsylvania	------	*	*	------	------	------
Endicott, Henry B., Dedham, Massachusetts	------	*	------	*	------	------
Epstein, Jacob, Baltimore, Maryland	------	*	*	------	------	------
Ford, Edsel Bryant, Detroit, Michigan	------	------	------	------	------	*
Ford, Henry, Dearborn, Michigan	*	*	*	*	*	*
Forstmann, Julius, Passaic, New Jersey	------	*	------	------	*	*
Frelinghuysen, Adaline H., New York, N.Y	------	------	*	*	*	*
Frick, Henry C., Pittsburgh, Pennsylvania	*	*	*	*	------	------
Friedenheit, Isaac, New York, N.Y	------	*	*	------	------	------
Gates, Dellora R., New York, N.Y	------	*	*	------	------	------
Goelet, Robert Walton, New York, N.Y	*	*	*	------	------	------
Grace, Eugene G., Bethlehem, Pennsylvania	------	*	*	*	------	------
Gray, David, Grosse Pointe Farms, Michigan	------	------	------	------	*	------
Gray, Paul R., Detroit, Michigan	------	------	------	------	*	------
Gray, Philip H., Detroit, Michigan	------	------	------	------	*	------
Green, Edward H. R., Terrell, Texas	------	------	*	*	*	------
Grundy, Joseph R., Bristol, Pennsylvania	------	------	------	*	*	------
Hanna, H. Melville, New York, N. Y	------	------	*	------	------	------
Harkness, Anna M., New York, N.Y	*	*	*	*	*	*
Harkness, Edward S., New York, N.Y	*	*	*	*	*	*
Harkness, Wm. L., New York, N.Y	*	*	*	*	*	------

Statistical Section—Income Tax Unit—Continued

Name and address	1915	1916	1917	1918	1919	1920
Harriman, Mary W., Arden, Orange Co., New York	*	*	*	*		
Havemeyer, Horace, New York, N.Y			*	*	*	*
Hayden, Charles, New York, N.Y	*	*			*	
Hildrup, William T., Jr., Harrisburg, Pennsylvania		*	*			
Houser, M. H., Portland, Oregon			*			
Howard, Charles S., San Francisco, California				*	*	*
Howard, Fannie May, San Francisco, California						*
Huntington, Arabella D., New York, N.Y						*
James, Arthur Curtiss, New York, N.Y	*	*	*	*	*	*
Jamison, Mrs. Catherine, New York, N.Y	*	*	*	*	*	*
Jamison, William A., New York, N.Y			*		*	
Johnson, Eldridge R., Moorestown, New Jersey	*	*	*		*	*
Johnson, George F., Endicott, New York		*		*		
Julliard, A. D., New York, N.Y		*	*	*	*	
Kales, Alice G., Detroit, Michigan					*	
Kirkland, J. L., Wheeling, West Virginia					*	
Lamborn, Arthur H., Upper Montclair, New Jersey			*		*	
Lamont, Thomas W., New York City, N.Y	*	*	*			
Lantz, J. B., Arkansas City, Kansas					*	
Lapham, Lewis H., New York, N.Y		*	*			
Leggett,David G., New York, N.Y			*	*		
Lewis, Arthur R., New York, N.Y			*			
Livermore J. L., New York, N.Y		*	*			
Marland, E. W., Ponca City, Oklahoma					*	
Mather, Samuel, Cleveland, Ohio		*	*	*	*	
Matthiessen, Frederick W., Chicago, Ill		*	*			
McFadden, George, Philadelphia, Pennsylvania				*	*	
McFarlin, R. M., San Antonio, Texas		*	*			
McLean, James, New York, N.Y		*	*			
McLean, William L., Philadelphia, Pennsylvania					*	
McNeely, George H., Haverford, Pennsylvania					*	
Mellon, A. W., Pittsburgh, Pennsylvania	*	*	*	*	*	*
Metcalf, Manton B., New York, N.Y			*			
Metz, Herman A., New York, N.Y	*		*			
Mills, Ogden, New York, N.Y	*	*	*	*		
Monell, Ambrose, Tuxedo Park, New York		*	*			
Moore, William H., New York, N.Y	*	*	*			
Morgan, J. P., New York, N.Y	*	*	*	*		
Morgan, Wiliam A., Buffalo, New York		*	*			
Morrell, A., Tuxedo Park, New York			*			
McVoy, Eugene J., Chicago, Illinois			*			
Nichols, William H., New York, N.Y			*			
Oliver, Edith A., Pittsburgh, Pennsylvania			*			
Osborn, Alice D., New York, N.Y		*	*			
Palmer, Edgar, New York, N.Y			*			
Palmer, Zilph Hayes, New York, N.Y	*	*	*			
Parriott, F. B., Pittsburgh, Pennsylvania					*	
Patten, James A., Evanston, Illinois	*	*	*			
Plant, Morton F., New York, N.Y	*	*	*			
Price, Michael G., Philadelphia, Pennsylvania					*	
Prentiss, Francis F., Cleveland, Ohio			*			
Rackham, Horace H., Detroit, Michigan					*	
Rainey, Paul J., New York, N.Y				*		
Rainey, Roy Alvin, New York, N.Y				*		
Rea, Edith Oliver (Mrs.), Pittsburgh, Pennsylvania			*			
Reid, Mrs. Elizabeth Mills, Purchase, N.Y	*	*	*	*		
Rice, Eleanore Elkins, Newport, Rhode Island		*	*	*		
Robinson, Lucius W., Punxsutawney, Pennsylvania			*			
Rockefeller, John D., New York, N.Y	*	*	*	*	*	*
Rockefeller, John D., Jr., New York, N.Y		*	*	*	*	*
Rockefeller, William, New York, N.Y	*	*	*			
Roebling, Charles G., New York, N.Y	*	*	*	*		
Roebling, Washington A., Trenton, New Jersey	*	*	*	*		
Rogers, Mrs. Grace Rainey, New York, N.Y				*		
Rosenbloom, Sol, Pittsburgh, Pennsylvania			*	*	*	*
Rosenwald, Julius, Chicago, Illinois	*	*	*	*	*	*
Ryan, Thomas F., New York, N.Y	*	*	*			
Sayles, Frank A., Pawtucket, Rhode Island	*	*	*	*	*	
Schiff, Jacob H., New York, N.Y	*	*	*	*		
Severance, John L., Cleveland, Ohio			*			
Shaffer, Charles B., Chicago, Illinois		*			*	
Sinclair, H. F., New York, N.Y		*	*			
Smathers, Elmer E., New York, N.Y		*			*	
Snyder, W. P., Pittsburgh, Pennsylvania		*	*			
Starkey, W. P., Harrisburg, Pennsylvania		*	*			
Steel, Charles, New York, N.Y	*	*	*	*		
Stillman, James, New York, N.Y	*	*	*		*	
Stone, Galen L., Brookline, Massachusetts	*	*			*	
Stotesbury, Edward T., Philadelphia, Pennsylvania	*	*	*	*		
Straight, Mrs. Dorothy Whitney, New York, N.Y	*	*	*	*		
Strong, Henry A., Rochester, New York	*	*	*			
Taylor, Henry A. C., New York, N.Y	*	*	*	*		

Statistical Section—Income Tax Unit—Continued

Name and address	1915	1916	1917	1918	1919	1920
Tracy, David E., Harrisburg, Pennsylvania	------	*	*	------	------	------
Twombley, Florence A. V., New York, N.Y	*	*	*	*	------	------
Ulman, J. Stevens, New York, N.Y	------	*	*	------	------	------
Vanderbilt, Frederick W., New York, N.Y	*	*	*	*	------	------
Vanderbilt, William K., New York, N.Y	*	*	*	*	------	*
Vincenti, Charles, Baltimore, Maryland	------	------	------	------	*	------
Walters, Henry	------	*	*	*	*	*
Webb, Charles J., Philadelphia, Pennsylvania	------	------	------	*	------	------
Webb, Electra H., New York, N. Y	------	------	------	*	*	*
Wellington, William H., Boston, Massachusetts	------	------	------	*	------	------
Whelan, George J., New York, N. Y	------	------	------	------	*	------
Whitman, William, Brookline, Massachusetts	------	------	------	------	------	*
Whitney, Harry Payne, New York, N. Y	*	*	*	*	------	------
Whitney, Payne, New York, N.Y	*	*	*	*	*	*
Widener, Joseph E., Elkins Park, Pennsylvania	------	*	*	*	------	------
Wilks, H. Sylvia A. H. G., New York, N.Y	------	------	*	*	------	------
Willys, John N., Toledo, Ohio	*	*	*	------	------	------
Winthrop, Kate W., New York, N. Y	*	*	*	*	------	------
Wood, William M., Andover, Massachusetts	------	------	------	*	------	------
Woolworth, F. W., New York, N.Y	*	*	*	------	------	------
Wrigley, William, Jr., Chicago, Illinois	------	------	*	------	------	------

Exhibit No. 1113

Statement showing treasurer's contracts

YEAR 1914

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
1	Russia	Oct. 8	TNT	960,000 pounds	$0.825	$792,000
2	France	Oct. 12	Cannon powder	8,000,000 pounds	1.00	8,000,000
			Guncotton	1,250,000 pounds	.75	937,500
3	Tennant Son & Co	Oct. 14	do	672,000 pounds	.65	436.800
4	Mitsui & Co	Oct. 26	Cannon powder	2,400,909 pounds	.975	2,343,230
			Rifle powder	602,055 pounds	.975	587,003
5	France	Nov. 17	Guncotton	1,250,000 pounds	.75	937,500
6	Placencia (Spain)	Oct. 28	TNT	900,000 pounds	1.00	900,000
7	Nobels	Oct. 26	do	300,000 pounds	.85	255,000
8	Bethlehem Steel	Dec. 12	Cannon powder	2,000,000 pounds	.80	1,600,000
9	France	Dec. 22	Rifle powder	2,600,000 pounds	1.00	2,600,000
135	U. S. Navy	Nov. 9	TNT	200,000 pounds	.40	80,000
	Total value, 1914					19,469,033

YEAR 1915

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
10	Placencia (Spain)	Jan. 6	TNT	700,000 pounds	$1.00	$700,000
11	do	do	Cannon powder	4,300,000 pounds	.975	4,192,500
12	Russia	Jan. 11	do	6,000,000 pounds	.975	5,850,000
13	Nobels	Jan. 6	TNT	1,570,000 pounds	1.00	1,570,000
14	do	Jan. 7	Cannon powder	2,000,000 pounds	.975	1,950,000
15	do	do	do	2,000,000 pounds	1.00	2,000,000
16	France	Jan. 21	Rifle powder	907,200 pounds	1.00	907,200
17	do	do	Guncotton	4,000,000 pounds	.73125	2,925,000
18	Placencia (Spain)	Jan. 23	TNT	300,000 pounds	1.00	300,000
19	do	Feb. 10	do	825,000 pounds	1.00	825,000
20	Bethlehem Steel	Feb. 3	Cannon powder	1,176,000 pounds	.80	940,800
21	Placencia (Spain)	Feb. 17	do	4,300,000 pounds	.975	4,192,500
22	England	do	do	3,700,000 pounds	1.00	3,700,000
23	do	do	do	7,500,000 pounds	.98	7,350,000
24	Bethlehem Steel	Feb. 13	do	1,000,000 pounds	.80	800,000
25	Nobels	Feb. 25	do	600,000 pounds	.975	585,000
26	France	Feb. 18	Picric acid	1,200,000 pounds	1.00	1,200,000
27	do	Feb. 26	TNT	3,900,000 pounds	1.00	3,900,000

28	England	Mar. 18	Cannon powder	5,860,000 pounds	.98	5,742,800
			Rifle powder	1,140,000 pounds	.98	1,117,200
29	France	Mar. 12	do	1,000,000 pounds	1.00	1,000,000
30	do	do	Cannon powder	1,000,000 pounds	1.00	1,000,000
31	do	do	do	16,860,000 pounds	1.00	16,860,000
32	Mitsui & Co	Mar. 26	TNT	280,000 pounds	.90	252,000
33	Bowring & Co	Mar. 25	do	420,000 pounds	87.14	365,988
34	France	Apr. 9	Rifle powder	1,000,000 pounds	1.00	1,000,000
35	National Conduit	Apr. 12	do	1,200,000 pounds	1.00	1,200,000
36	Russia	Apr. 20	do	5,000,000 pounds	.975	4,875,000
37	Belgium	Apr. 14	TNT	375,000 pounds	1.00	375,000
38	England	Apr. 20	Cannon powder	1,200,000 pounds	.98	1,176,000
39	Bethlehem Steel	Apr. 21	do	6,500,000 pounds	.80	5,200,000
40	do	do	TNT	2,000,000 pounds	.90	1,800,000
41	Placencia (Spain)	Apr. 19	do	2,400,000 pounds	1.00	2,400,000
42	England	Apr. 30	Cannon powder	6,000,000 pounds	.98	5,880,000
43	do	May 4	TNT	2,000,000 pounds	.98	1,960,000
44	Russia	May 26	do	5,050,000 pounds	1.00	5,050,000
45	Spain	May 25	do	11,023 pounds	1.10	12,125
				209,437 pounds	1.00	209,437
46	Nobels	May 27	Guncotton	800,000 pounds	.73125	585,000
47	England	June 2	Rifle powder	66,000 pounds	.98	64,680
			Cannon powder	360,800 pounds	.98	353,584
48	do	May 29	Guncotton	66,000 pounds	.73125	48,510
49	do	June 24	TNT	217,000 pounds	.98	212,660
50	Am. Locomotive Co	May 18	Pellets	20,000,000	[1].05	125,000
51	do	do	Black powder	275,000 pounds	.20	55,000
52	do	do	do	35,000 pounds	.20	7,000
53	do	do	do	62,500 pounds	.275	17,187
54	E. W. Bliss Co	Feb. 11	Pellets	8,000,000	[1].06	60,000
55	do	do	Black powder	110,000 pounds	.205	22,550
56	Am. Locomotive Co	May 18	Pellets	7,500,000	.01	75,000
				2,500,000	.0125	31,250
57	Canadian Car & Fd	June 1	Caps	2,500,000	.10	250,000
58	do	do	Pellets	20,000,000	[1].045	112,500
59	do	June 2	Caps	2,500,000	.10	250,000
60	W. R. A. Co	June 30	Rifle Powder	2,250,000 pounds	.81	1,822,500
61	U. S. Govt	June 7	TNT	75,000 pounds	.50	37,500
62	Russia, Artillery	July 1	Guncotton	5,500,000 pounds	.55	3,025,000
63	do	do	Cannon powder	8,000,000 pounds	.975	7,800,000
64	do	do	Rifle powder	2,000,000 pounds	.975	1,950,000
65	Russia, Army	do	do	984,600 pounds	.975	959,985
66	Belgium	June 19	TNT	300,000 pounds	1.00	300,000
67	Remington Arms	July 3	Rifle powder	3,000,000 pounds	.81	2,430,000
68	U. S. Cartridge Co	July 6	do	3,150,000 pounds	.81	2,551,500
69	Blagden Waugh & Co	Sept. 15	TNT	50,000 pounds	.40	20,000
70	do	Oct. 2	do	300,000 pounds	.65	195,000
71	do	Oct. 5	do	300,000 pounds	.65	195,000
72	Russia, Artillery	July 8	Cannon powder	8,000,000 pounds	.975	7,800,000
73	do	do	Rifle powder	2,000,000 pounds	.975	1,950,000

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[1] For 8.

Statement showing treasurer's contracts—Continued

YEAR 1915—Continued

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
74	Canadian Car & F	May 31	Shells	2,500,000	$0.30	$750,000
75	France	July 14	Cannon powder	4,000,000 pounds	.975	3,900,000
76	Canceled.					
77	Peters Cartridge	July 19	Rifle powder	600,000 pounds	.81	486,000
78	U. S. Govt	July 17	TNT	130,000 pounds	.4062	52,806
				270,000 pounds	.4043	109,168
79	Amer. Ammunition Co	July 21	Black powder	30,000 pounds	.275	8,250
80	do	do	do	30,000 pounds	.20	6,000
81	Belgium	July 16	Cannon powder	400,000 pounds	1.00	400,000
82	Western Cartridge	July 27	Rifle powder	480,000 pounds	.81	388,800
83	England	July 30	Cannon powder	33,336,110 pounds	.90	30,002,499
			Rifle powder	1,663,890 pounds	.90	1,497,501
84	do	July 31	TNT	1,625,500 pounds	.98	1,592,990
85	do	do	do	1,600,000 pounds	.98	1,568,000
86	Recording & Computing Mach. Co	Aug. 6	Pellets	2,500,000	.005	12,500
87	do	do	Black powder	62,000 pounds	.275	17,050
88	do	do	do	25,000 pounds	.20	5,000
89	do	do	Caps	2,500,000 sets	.10	250,000
90	Inter. Arms & Fuze	Aug. 9	do	5,050,000	.07	353,500
91	Inter. Expl. Co	Aug. 19	Discs	3,000,000	.003	9,000
			Black powder	2,150 pounds	.20	430
92	N. Y. Air Brake Co	Aug. 24	Detonators	1,250,000	.06⅞	85,937
93	England	do	Cannon powder	29,000,000 pounds	.90	26,100,000
94	U. S. Govt	July 30	TNT	85,400 pounds	.50	42,700
95	Savage Arms Co	Sept. 2	Rifle powder	1,050,000 pounds	.81	850,500
96	Italy, Army	Sept. 1	Picric acid	1,200,000 pounds	1.00	1,200,000
97	do	do	Cannon powder	2,205,000 pounds	1.00	2,205,000
31	France	Mar. 12	Rifle powder	9,580,000 pounds	1.00	9,580,000
90	Inter. Arms & Fuze	Aug. 9	Black powder	63,750 pounds	.275	17,531
			Rifle powder	20,400 pounds	.20	4,080
			Pellets	15,300,000		119,888
98	American Can Co	Aug. 31	Black powder	447,500 pounds		93,250
			Powder cakes	8,000,000 pounds	.004	32,000
99	Canceled.					
100	Italy	Sept. 10	Cannon powder	10,200,000 pounds	.975	9,945,000
101	Hodge Miller Mfg	do	Fulminate mercury	4,000 pounds	3.00	12,000
102	David M. Koppelman	Sept. 15	Gel. Dyn	2,240,000 pounds	.29	649,600
103	Dominion Cartridge	Sept. 10	Rifle powder	423,520 pounds	.8011	339,281
104	American Can Co	Sept. 15	Pellets	8,000,000	.01063	85,000
105	England	Sept. 16	TNT	1,600,000 pounds	.98	1,568,000

106	Italy, Navy	Sept. 21	do	600,000 pounds	1.00	600,000
107	Russia, Army	Aug. 16	Cannon powder	15,000,000 pounds	.975	14,625,000
108	Bartlett-Hayward	Sept. 20	Black powder	171,060 pounds	.22	37,899
109	U. S. Govt	Sept. 8	Rifle powder (black)	3,700 pounds	.21	777
110	Russia, Navy	Oct. 4	Cannon powder	3,600,000 pounds	.975	3,510,000
111	do	Oct. 12	Guncotton	6,720,000 pounds	.57	3,830,400
112	Ontario Cartridge	Oct. 6	Black powder	1,200 pounds	.20	240
113	Poole Eng. & Mch. Co	Oct. 5	Pellets Black powder	8,625 sets 21,000 pounds	.06 .20	517 4,200
114	Ontario Cartridge	Oct. 6	Discs	2,000,000 pounds	.004	8,000
115	Poole Eng. & Mch. Co	do	Cannon powder	90,000 pounds	1.00	90,000
116	Gathmann Amm. Co	Oct. 27	Black powder	10,000 pounds	.275	2,750
117	Canceled.					
118	Do.					
119	Eddystone Amm. Co	Oct. 26	Discs	1,000,000 pounds	.004	4,000
120	do	do	Black powder	43,750 pounds	.275	12,031
121	do	do	Pellets	1,000,000 pounds	.01063	10,625
122	do	do	Black powder	24,000 pounds	.20	4,800
123	do	do	do	470,000 pounds	.20	94,000
124	do	do	do	3,500 pounds	.20	700
125	do	do	do	1,650 pounds	.55	709
126	do	do	do	24,500 pounds	.20	4,900
127	Canceled.					
128	England	Oct. 29	Guncotton	1,120,000 pounds 1,120,000 pounds	.735 .588	823,200 658,560
129	do	Nov. 1	TNT	400,000 pounds	.98	392,000
130	General Elect. Co	Nov. 8	Tetryl and caps	1,000,000	.50	500,000
131	do	do	Shell loading	1,000,000	.70	700,000
132	Gathmann Amm. Co	Nov. 9	Black powder	5,000 pounds	.20	1,000
133	France	Nov. 12	Picric acid	2,200,000 pounds	.955	2,100,000
134	U. S. Navy	Feb. 15	Cannon powder	790,000 pounds	.53	418,700
135	do	Nov. 9	TNT	200,000 pounds	.40	80,000
136	General Elect. Co	Nov. 17	Black powder	141,000 pounds	.20	28,200
137	Artillery Fuse Co	Nov. 26	do	18,000 pounds	.20	3,600
138	do	do	do	50,000 pounds	.25	12,500
139	do	do	do	46,460 pounds	.325	15,099
140	do	do	do	32,000 pounds	.275	8,800
141	Bethlehem Steel	Nov. 23	Cannon powder	1,000,000 pounds	.80	800,000
142	England	Nov. 5	do Rifle powder	65,111,800 pounds 8,888,200 pounds	.80 .80	52,089,440 7,110,560
143	Eddystone Amm. Co	Nov. 29	Fulminate mercury	1,900 pounds	3.00	5,700
144	Inter. Arms & Fuze	Dec. 11	Pellets	4,160,000 12,480,000	.01¼ .01	52,000 124,800
145	do	do	Black powder	100,000 pounds	.275	27,500
146	do	do	do	60,000 pounds	.20	12,000
147	E. W. Bliss Co	Dec. 14	Pellets	12,000,000	.01	120,000
148	do	do	Black powder	164,125 pounds	.45	73,856
149	Italy, Army	Dec. 17	Rifle powder	530,200 pounds	.975	516,945
150	Detwiller & Street F. Mfg. Co	Dec. 18	Black powder	4,700 pounds	.40	1,875
151	do	do	Pellets	1,200,000	.005	60,000

Statement showing treasurer's contracts—Continued

YEAR 1915—Continued

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
152	Eddystone Amm. Co	Dec. 14	Black powder	10,000 pounds	$0.05	$5,150
153	Netherlands	Dec. 29	Rifle powder	220,000 pounds	.5150	220,000
154	Inter. Steel & Ord	Dec. 30	Caps and tetryl	1,000,000	.50	500,000
159	Roumania	Dec. 23	Guncotton	440,000 pounds	.60	264,000
177	Canadian Expl. Ltd	Dec. 30	do	400,000 pounds	.55	220,000
	Total value for year 1915					319,716,448

YEAR 1916

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
155	Bernard Charles	Jan. 3	Fulminate mercury	175 pounds	$3.00	$525
156	do	do	Black powder	2,450 pounds	.45	1,102
157	do	do	do	4,375 pounds	.55	2,406
158	do	do	do	175 pounds	.50	87
160	Poole Eng. & Mch	Jan. 7	do	11,500 pounds	.45	5,175
161	Bernard Charles	do	do	2,975 pounds		1,528
162	Federal Primer Corporation	Jan. 8	Pellets	525,000	.01	5,250
			Black powder	500 pounds	.45	225
163	Italy, Army	Jan. 12	Rifle powder	224,200 pounds	.975	218,595
164	U. S. Army	Jan. 15	TNT	200,000 pounds	1.00	200,000
165	Inter. Arms & Fuse Co	Jan. 28	Fulminate mercury	100 pounds	.53	530
166	Italy, Army	Feb. 5	Rifle powder	1,058,400 pounds	.975	1,031,940
167	Netherlands	Feb. 14	TNT	110,000 pounds	1.00	110,000
168	Italy, Army	Feb. 18	do	960,000 pounds	1.25	1,200,000
169	Rumania	do	Rifle powder	770,000 pounds	1.00	770,000
170	U. S. Navy	Feb. 15	Black powder	15,000 pounds	.325	4,875
171	Ross Rifle Co	Feb. 26	Rifle powder	37,500 pounds	.90	33,000
172	Chinese Government	Mar. 7	Cannon powder	88,000 pounds	1.00	88,000
173	Maxim Munition Corporation	Mar. 13	Rifle powder	240,000 pounds	1.00	240,000
174	England	Mar. 2	TNT	4,526,000 pounds	1.25	5,657,500
175	Italy, Navy	Mar. 17	do	1,525,000 pounds	1.025	1,563,125
176	Belgium	do	Cannon powder	375,000 pounds	.80	300,000
178	Poole Eng. & Mch	Mar. 23	do	750,000 pounds	1.00	750,000
179	Belgium	Mar. 29	do	600,000 pounds	.80	480,000
180	Canadian Expl. Ltd	Apr. 26	Guncotton	250,000 pounds	.50	125,000
181	England	Apr. 22	Caps and tetryl	4,000,000		2,500,000
182	Italy, Army	May 2	Cannon powder	2,756,250 pounds	.80	2,205,000
183	British Munitions Co., Ltd	do	Black powder	26,250 pounds	.43	11,287

184	do	do	do	81,900 pounds	.50	40,950
185	do	do	do	2,625 pounds	.55	1,443
186	Bethlehem Steel	May 11	Cannon powder	4,875 pounds	.60	2,925
187	do	May 24	do	1,025,000 pounds	.65	666,250
188	Canadian Expl. Ltd	May 25	Guncotton	100,000 pounds	.45	45,000
189	U. S Navy	do	Black powder	2,000 pounds	.325	650
190	Netherlands	May 31	Rifle powder	220,000 pounds		199,100
191	Italy, Army	June 6	Black powder	300,000 pounds	.30	90,000
192	France	June 1	Cannon powder	1,000,000 pounds	.80	800,000
193	Netherlands	June 20	Rifle powder	440,000 pounds	.81	356,400
194	Bethlehem Steel	June 24	Cannon powder	70,600 pounds	.65	45,890
195	Canadian Expl. Ltd	June 15	Guncotton	150,000 pounds	.45	67,500
196	Italy, Army	June 29	Cannon powder	1,764,000 pounds	.80	1,411,200
197	Belgium	July 1	do	48,000 pounds	.80	38,400
198	Amer. Locomotive	June 28	Pellets	8,800,000	¼¢	22,000
199	Keyport Eng. Co	June 14	do	275,000	⅝¢	1,718
200	Canadian Expl. Ltd	July 14	Guncotton	100,000 pounds	.45	45,000
201	Amer. Locomotive	July 15	Black powder	59,500 pounds		22,075
202	Canadian Expl. Ltd	July 21	Guncotton	200,000 pounds	.45	90,000
203	do	Aug. 3	do	200,000 pounds	.45	90,000
204	France	July 26	Cannon Powder	49,599,992 pounds	.475	23,559,996
			Rifle powder	4,959,920 pounds	.60	2,975,952
205	Italy, Army	Aug. 31	do	110,500 pounds	.80	88,400
206	Canadian Expl. Ltd	Aug. 29	Guncotton	1,000,000 pounds	.39	390,000
207	U. S. Navy	Sept. 2	TNT	100,000 pounds	.75	75,000
				350,000 pounds	.515	180,250
208	Gathmann Am. Co	Sept. 11	Black powder	5,000 pounds	.39	1,950
209	England	Sept. 6	TNT	4,000,000 pounds	.50	2,000,000
210	Placencia (Spain)	do	do	140,000 pounds	.60	84,000
211	U. S. Navy	Sept. 15	Black powder	30,000 pounds	1.035	31,050
212	England	Sept. 12	Cannon powder	181,399,392 pounds	.475	86,164,712
			Rifle powder	18,599,500 pounds	.60	11,159,700
213	American Can Co	Sept. 27	Pellets	1,250,000	[1] .04	50,000
214	do	do	do	4,000,000	¼¢	10,000
215	U. S. Navy	Oct. 6	Black rifle powder	15,000 pounds	.325	4,875
216	Italy, Army	Oct. 20	Cannon powder	875,955 pounds	.60	525,573
217	Bethlehem Steel	Oct. 24	do	70,000 pounds	.60	42,000
218	do	do	do	10,000 pounds	.60	6,000
219	Recording & Comp. Mach. Co	Sept. 26	Pellets	1,000,000	¼¢	2,500
220	England	Oct. 2	Guncotton	784,000 pounds	.55	431,200
221	U. S. Army	Oct. 26	TNT	300,000 pounds	.70	210,000
222	England	Oct. 31	Cannon powder	2,500 pounds	.55	1,375
223	Dayton Metal Pro	Oct. 18	Caps and tetryl	22,000	.50	11,000
224	Rumania	Oct. 25	Cannon powder	165,000 pounds	.65	107,250
225	U. S. Army	Oct. 30	do	2,200,000 pounds	.53	1,166,000
226	Eddystone Amm. Corp	Oct. 2	Black powder	10,000 pounds	.38	3,800
				225 pounds	.34	76
227	U. S. Navy	Nov. 13	Cannon powder	7,700,000 pounds	.50	3,850,000
228	Inter. Arms & Fuse	Oct. 3	Caps	1,000,000	.10	100,000
229	Bartlett-Hayward	Nov. 22	Black powder	34,000 pounds	.34	11,570
230	Peters Cartridge	do	Experiment			139,125

[1] For 8.

Statement showing treasurer's contracts—Continued

YEAR 1916—Continued

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
231	Amer. Locomotive	Nov. 8	Black powder	20,000 pounds	$0.36	$7,200
232	England	Nov. 11	TNT	3,000,000 pounds	.43	1,290,000
233	U. S. Navy	Oct. 29	Ammonium picrate	600,000 pounds	.58	348,000
234	Record. & Comp. Mach	Oct. 31	Caps	500,000	.10	50,000
235	do	Oct. 24	Pellets	1,000,000	¼¢	2,500
236	do	Nov. 27	Caps	500,000	.10	50,000
237	England	Dec. 7	Cannon powder	35,800,263 pounds	.60	21,480,157
238	U. S. Navy	Dec. 14	TNT	140,000 pounds	.635	88,900
239	U. S. Army	Oct. 20	Black powder	66,700 pounds	.28	18,676
210	do	Nov. 17	Rifle powder	221,410 pounds	.65	143,916
241	U. S. Navy	Dec. 29	Black powder	3,950 pounds	.325	1,283
242	Record. & Comp. Mach	Dec. 11	Caps	500,000 pounds	.10	50,000
243	British Mun. Co	Dec. 20	Black powder	130,075 pounds	.49	62,723
246	Inter. Arms & Fuse	Dec. 19	do	108,900 pounds	.35	37,914
			Pellets	37,080,000	.02	74,160
			Caps	9,270,000	.035	324,450
247	Record. & Comp. Mach	Dec. 27	Pellets	625,000	¼¢	1,562
251	England	Dec. 30	Refining TNT		.10	22,000
237	do	Dec. 7	Rifle powder	4,653,990 pounds	.725	3,374,142
	Total value, 1916					182,352,589

YEAR 1917

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
244	American Can Co	Jan. 18	Pellets	1,500,000 pounds	$0.0025	$3,750
245	Canadian Expl. Ltd	Jan. 25	Guncotton	150,000 pounds	.39	58,500
248	England	Jan. 19	Cannon powder	500 pounds	.60	300
249	Record. & Comp. Mch	Jan. 18	Caps	750,000 sets	.10	75,000
250	Italy, Army	Jan. 25	Black powder	110,200 pounds	.31	34,162
252	England	Jan. 24	Guncotton	3,613,120 pounds	.40	1,445,248
253	Netherlands	Feb. 2	TNT	100,000 pounds	.45	49,500
254	Eddystone Amm. Corp	Jan. 18	Black powder	7,000 pounds	.36	2,520
255	do	do	Caps	530,000 pounds	.05	26,500
256	Record. & Comp. Mch	do	Pellets	500,000 pounds	.0025	1,250
257	Eddystone Corp	Feb. 1	do	600,000 pounds	.04	24,000
258	U. S. Army	Feb. 5	Diphenylamine	10,000 pounds	.60	6,000
259	Record. & Comp. Mch	Jan. 19	Pellets	500,000 pounds	.0025	1,250
260	England	Feb. 21	TNT	750,000 pounds	.58	435,000
261	Eddystone Amm, Corp	Feb. 24	Pellets	600,000 pounds	.04	24,000

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[1] For 8.

262	Canadian Expl. Ltd	Mar. 15	Guncotton	130,000 pounds	.39	50,700
263	Bethlehem Steel	Mar. 22	Cannon powder	40,000 pounds	.65	26,000
264	Italy, Navy	Mar. 21	TNT	1,200,000 pounds	.58	696,000
265	Eddystone Amm. Corp	Mar. 6	Pellets	310,000	.04	12,400
266	Netherlands	Apr. 4	TNT	220,000 pounds	.40	88,000
267	Nobels Expl. Co	Mar. 27	Guncotton	40,000 pounds	.39	15,600
268	American Can Co	Mar. 30	Pellets	312,500	.04	12,500
269	U. S. Army	Apr. 10	Cannon powder	1,837,000 pounds	.475	872,575
				3,100,000 pounds	.50	1,550,000
270	do	Mar. 27	Primers	234,344	.15	35,151
271	Bartlett-Hayward	Apr. 12	Black powder	26,500 pounds	.31	8,215
272	England	Apr. 6	TNT	1,000,000 pounds	.55	550,000
273	J. P. Morgan & Co	Apr. 16	Guncotton	4,000 pounds	.39	1,560
274	Maxim Munitions Co	Apr. 12	Rifle powder	4,500 pounds	1.0125	4,556
275	U. S. Navy	Apr. 16	TNT	1,500,000 pounds	.36	540,000
277	do	do	Black powder	160,000 pounds	.25	40,000
276	do	May 3	TNT	1,030,000 pounds	.50	515,000
278	Dayton Metal Prod	Apr. 24	Caps and tetryl	24,400	[2] .50	6,100
279	U. S. Navy	Apr. 20	Cannon powder	500,000 pounds	.475	237,500
280	Canadian Expl. Ltd	May 7	Guncotton	33,000 pounds	.39	12,870
281	U. S. Navy	May 5	Black powder	15,000 pounds	.25	3,750
282	American Can Co	May 3	Pellets	45,500	.04	1,820
283	U. S. Army	Apr. 2	Miscellaneous material	1		1,500
284	Eddystone Amm. Corp	May 16	Pellets	100,000	.04	4,000
285	U. S. Army	Apr. 25	Shell loading	111,501	.90	100,350
286	Bartlett-Hayward	May 22	TNT	240,000 pounds	.58	139,200
287	Hercules Pdr. Co	June 4	Guncotton	225,000 pounds	.31	69,750
288	Italy, Army	May 31	Cannon powder	20,460,000 pounds	51.3	10,495,980
289	do	do	do	1,275,000 pounds	.60	765,000
290	U. S. Navy	May 24	TNT	3,000,000 pounds	.35	1,050,000
291	U. S. Army	May 10	Black powder	270,000 pounds	.247	66,780
292	Maxim Mun. Corp	May 28	Rifle powder	10,000 pounds	.99	9,900
293	Nobels Exp. Co	June 18	Guncotton	60,000 pounds	.38	22,800
294	U. S. Navy	June 16	Tanks	106	12.24	1,297
295	Eddystone Amm. Corp	June 11	Pellets	95,000	.04	3,800
296	England	June 5	Cannon powder	500 pounds	.60	300
297	Natl. Conduit & Cable	June 25	do	210,000 pounds	.50	105,000
298	Hercules Pdr. Co	July 10	Guncotton	390,000 pounds	.31	120,900
299	France	June 1	Cannon powder	520,000 pounds	51.3	266,760
300	U. S. Navy	July 2	TNT	4,000,000 pounds	.35	1,400,000
301	U. S. Army	May 22	Fuzes	161,000	2.69	433,090
302	U. S. Navy	June 1	Cannon powder	5,200,000 pounds	.50	2,600,000
			Boxes	47,280	4.05	191,484
303	U. S. Army	June 5	TNT	353,000 pounds	.70	247,100
304	do	June 12	Rifle powder	17,500 pounds	.65	11,375
305	Italy, Army	June 6	Cannon powder	3,960,000 pounds	51.3	2,031,480
306	U. S. Army	July 18	Black powder	2,030 pounds	.25	507
307	England	June 30	Cannon powder	25,590,000 pounds	.53	13,562,700
			Rifle powder	4,410,000 pounds	.655	2,809,800
308	do	June 17	Cannon powder	67,550,000 pounds	.53	36,013,500
			Rifle powder	11,550,000 pounds	.655	7,359,000

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[2] For 2.

Statement showing treasurer's contracts—Continued

YEAR 1917—Continued

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
309	U. S. Navy	June 11	Ammunition picrate	600,000	$0.60	$360,000
310	do	June 6	Cannon powder	12,000,000 pounds	.50	6,000,000
311	British Mun. Co	July 19	Black powder	40,100 pounds	.36	14,290
312	France	July 17	Cannon powder	80,000 pounds	.53	42,400
313	U. S. Army	May 23	do	4,380 pounds	.478424	2,095
314	France	June 30	do	37,720,000 pounds	.53	19,991,600
			Rifle powder	5,280,000 pounds	.655	3,458,400
315	do	June 17	Cannon powder	20,500,000 pounds	.53	10,865,000
316	U. S. Cartridge Co	Aug. 1	Rifle powder	245,000 pounds	.60	147,000
317	Italy, Army	Aug. 10	Cannon powder	1,675,000 pounds	.70	1,172,500
318	do	July 25	Gel. dyn	1,980,000 pounds	.39	775,500
319	Hercules Pdr. Co	Aug. 15	Guncotton	450,000 pounds		112,275
320	U. S. Navy	July 28	Cutting machines	2		2,880
321	do	Aug. 3	Cannon powder	10,000,000 pounds	.495	4,950,000
			Rifle powder	15,000,000 pounds	.52	7,800,000
322	U. S. Army	Aug. 23	Miscellaneous material	550		1,600
323	U. S. Navy	Aug. 27	Diphenylamine	50,000 pounds	.60	30,000
324	do	Aug. 21	Fuses and caps	120		530
325	Winchester Repeating Arms	Aug. 29	Rifle powder	130,000 pounds	.60	78,000
326	Utaly, Army	Aug. 27	Cannon powder	660,000 pounds	.53	349,800
327	U. S. Army	Aug. 22	Drills	10	500.00	5,000
328	Hercules Pdr. Co	Sept. 1	Guncotton	450,000 pounds		112,275
329	U. S. Army	Aug. 31	Containers	96,500	4.30	414,950
330	do	Aug. 28	Cannon powder [4]	1,000,000 pounds	.50	500,000
331	do	Aug. 30	do	15,000 pounds	.495	7,425
332	do	Aug. 31	do	5,380,000 pounds	.50	2,690,000
333	do	do	do	10,382,500 pounds	.475	4,931,687
				18,117,500 pounds	.495	8,958,162
334	do	Aug. 31	do	13,500,000 pounds	.475	6,412,500
335	do	Sept. 5	do	4,000,000 pounds	.52	2,080,000
336	do	do	TNT	29,232,000 pounds	.50	14,616,000
337	do	Sept. 1	Ammunition picrate	500,000 pounds	.58	290,000
338	do	Sept. 6	do	600,000 pounds	.64	384,000
339	do	do	do	400,000 pounds	.64	256,000
340	Imperial Mun. Board	Sept. 25	Cannon powder	6,000 pounds	.60	3,600
341	U. S. Navy	Aug. 1	Funnels	300	125.00	37,500
			Boxes	3,000	24.67	74,010
			Phosphorus	28,000 pounds	1.75	50,400
342	Peters Cartridge	Sept. 11	Rifle powder	210,000 pounds	.65	136,500
343	U. S. Navy	Sept. 20	Black powder	3,000 pounds	.259	777
344	Italy, Army	do	Caps	6,000,000	[3] 13.00	78,100
345	Record. & Comp. Mch	Sept. 12	Pellets	187,000 pounds	.0025	467

346	U. S. Navy	Aug. 22	TNT	1,625,000 pounds 2,000,000 pounds	.35 .50	568, 750 1, 000, 000
347	Italy, Army	Oct. 4	Cannon powder	5,000,000 pounds	.53	2, 650, 000
348	Record. & Comp. Mch	Oct. 8	Pellets	35,190 pounds	.0025	87
349	Canceled.					
350	Winchester R. A. Co	do	Rifle powder	600,000 pounds	.62	372, 000
351	U. S. Navy	Oct. 5	Electro. triton			12, 766
352	do	Oct. 6	Black powder	1,000,000 pounds	.2325	233, 500
353	Bethlehem Steel	Oct. 17	Cannon powder	625,000 pounds	.65	406. 250
354	U. S. Army	Aug. 30	Shell loading	100,000	.70	70, 000
355	do	Oct. 9	Cannon powder	40,500,000 pounds	.495	20, 047, 500
356	U. S. Navy	Oct. 12	TNT	200,000 pounds	.396	87, 120
357	U. S. Army	Nov. 1	Cannon powder	14,000,000 pounds	.495	6, 930, 000
358	do	do	Rifle powder	5,223,000 pounds	.60	3, 133, 800
359	Italy, Army	Oct. 27	do	2,200,000 pounds	.68	1, 496, 000
360	Scovill Mfg. Co	Nov. 10	Black powder	183,600 pounds	.277	50, 900
361	U. S. Navy	Oct. 29	Cannon powder	8,000,000 pounds	.525	4, 200, 000
362	U. S. Army	Nov. 18	Shell loading	1,000,000	1.44	1, 440, 000
363	Italy, Army	Nov. 12	Black powder	110,000 pounds	.25	27, 500
364	U. S. Navy	Nov. 13	Tetryl	20,000 pounds	1.30	26, 000
365	U. S. Army	May 22	Black powder	150,000 pounds	.25	37, 500
366	do	June 8	do	300,000 pounds	.25	75, 000
367	U. S. Navy	Oct. 24	Rifle powder	22,000 pounds	.245	5, 390
368	Hercules Pdr	Nov. 21	Guncotton	15,000 pounds		4, 312
369	Record. & Comp. Mch	do	Pellets	57,600 pounds	.0025	144
370	U. S. Army	Nov. 3	Cannon powder	422,000 pounds	.60	253, 200
371	do	Nov. 27	Shell loading	300,000 rounds	5.83	1, 749, 000
372	do	Nov. 6	Cannon powder	5,000,000 pounds	.60	3, 000, 000
373	do	Sept. 13	Shell loading	2,350,000	.50	1, 175, 000
374	do	Oct. 27	Cannon powder	100,440,000 pounds	.495	49, 717, 800
375	Italy	Nov. 27	Gel. Dyn	2,640,000 pounds	.40	1, 056, 000
376	U. S. Army	Oct. 31	Black powder	500,000 pounds	.245	122, 500
378	Canceled.					
379	U. S. Army	Dec. 14	TNT	10,000,000 pounds	.67	6, 700, 000
380	do	Dec. 12	Shell loading	12,500,000	.30	3, 750, 000
381	do	Nov. 26	Boosters	5,000,000	.2164	1, 082, 000
382	Italy	Dec. 1	Cannon powder	15,260,000 pounds	.53	8, 087, 800
383	U. S. Army	Dec. 13	Rifle powder	10,000 pounds	.60	6, 000
384	Italy	Dec. 31	Cannon powder	1,700,000 pounds	.70	1, 190, 000
385	do	do	do	6,600,000 pounds	.53	3, 498, 000
390	U. S. Army	Dec. 11	TNT	2,500,000 pounds 2,750,000 pounds	.35 .50	875, 000 1, 375, 000
393	do	Dec. 15	Tetryl	10,000 pounds	.90	9, 000
396	do	Dec. 29	TNT	100,075 pounds	.8477	84, 838
398	U. S. Navy	Dec. 27	Boxes	3,000	20.00	60, 000
421	U. S. Army	Oct. 11	Rifle powder	50,000 pounds	.847	42, 350
444	do	Dec. 31	Shell loading	25,000	.269	6, 725
382	Italy	Dec. 1	Rifle powder	2,240,000 pounds	.68	1, 523, 200
	Total value, 1917					313, 781, 785

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[3] Per 1,000.

Statement showing treasurer's contracts—Continued

YEAR 1918

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
377	Hercules Powder Co	Jan. 2	Guncotton	10,000 pounds	$0.	$3,000
386	Frankford Arsenal	Jan. 15	Tracer bullet ammunition	50,000,000 rounds	[3] 85.00	4,250,000
387	U. S. Army	Feb. 21	Rifle powder	9,000,000 pounds	.60	5,400,000
388	Frankford Arsenal	Jan. 23	Incendiary bullet ammunition	50,000,000 rounds	[3] 90.00	4,500,000
389	do	do	Armor piercing bullet ammunition	25,000,000 rounds	[3] 58.50	1,462,500
391	Recording & Comp. Machines Co	Jan. 30	Black powder	20,000 pounds	.27	5,400
392	Hercules Powder Co	Feb. 6	Guncotton	240,000 pounds	.30	72,000
394	U. S. Army	Jan. 1	Boxes	25,332	4.15 4.40	108,294
395	do	Jan. 8	Rifle powder	5,000,000 pounds	.60	3,000,000
397	American Can Co	Feb. 14	Detonators and primers	8,000,000 pounds 4,000,000 pounds	.065 .02	600,000
399	U. S. Navy	do	Gasoline and oil	1,750 gallons 190 gallons	.24 .40	496
400	Champion Spark Plug Co	Feb. 19	Caps	1,550,000	.02	31,000
401	Gorham Mfg. Co	Feb. 25	do	5,000,000	[3] 9.35	46,750
402	U. S. Army	Jan. 3	Detonators	5,000	[3] 20.00	100
403	do	Feb. 8	Boxes	400,000	4.30	1,720,000
404	Recording & Comp. Machines Co	Mar. 5	Pellets	1,153,500 pounds	.00325	3,748
405	U. S. Army	Jan. 21	Loading fuses	1,000	.30	300
406	do	Jan. 9	Black powder	2,500,000 pounds	.25	625,000
407	do	Feb. 15	Detonators	26,000,000	.00935	243,100
408	do	Jan. 22	Ballistite	325,000 pounds	.90	292,500
409	do	Feb 1	Loading detonators	75		
410	Recording & Comp. Machines Co	Feb. 28	Caps	705,000	.023	16,215
411	U. S. Navy	Feb. 12	Black powder	60,000 pounds	.245	14,700
412	do	Feb. 28	Boring mill	1		7,000
413	Artillery Fuse Co	Feb. 23	Primers	1,000,000	.016	16,000
414	U. S. Army	Mar. 16	Caps	1,100		13
415	do	Mar. 1	do	1,000		59
416	U. S. Navy	Mar. 20	T. N.	30,000,000 pounds	.43 .30	12,870,000
417	do	Mar. 14	Black powder	1,215 pounds 44 pounds	.27 .32	342
418	do	Mar. 18	do	10,000 pounds	.27	2,700
419	Stenotype Co		do	10,000 pounds	.27	2,700
420	U. S. Army	Feb. 5	Loading shell	25		150
422	do	Mar. 25	Lead washers	650,000	[3] 3.10	2,015
423	do	Apr. 2	Loading shell	600	(4)	815
424	do	Mar. 21	Detonators	70	(4)	0

425	Italy	Apr. 8	Caps	15,000,000	[3] 10.90 [3] 16.31 [3] 17.63	215,970
426	U. S. Army	Mar. 30	Testing boosters		(4)	2,000
427	U. S. Navy	Apr. 5	Black powder	50,000 pounds	.80	40,000
428	U. S. Army	Apr. 1	Barium nitrate	100 pounds	.1275	12
429	Frankford Arsenal	Apr. 6	Cancels contract 10,000 detonator cups.			
430	U. S. Army	Apr. 2	Caps	100		1
431	do	do	Loading detonators	200		2
432	do	Apr. 3	Detonators	4,000		48
433	do	Apr. 11	do	1,000		12
434	do	do	do	1,000		12
435	do	do	Rifle powder	125 pounds	.615	81
436	France	do	N. C. powder	45,000 pounds	.53	22,850
437	Hercules Powder Co.		Guncotton	1,000,000 pounds	.30	300,000
438	Stenotype Co.	Apr. 26	Caps	1,000,000	.018	18,000
439	U. S. Army	Apr. 10	Experiments on bombs		(4)	10,000
440	do	Mar. 19	Detonators	1,000	.05	50
441	do	Apr. 3	.30 caliber powder drums	154,141		110,544
442	France	Mar. 30	N. C. powder	5,000 pounds	.60	3,000
443	U. S. Army	Feb. 16	Tetryl	976,000	.90	878,400
445	do	Mar. 18	Loading shell	200,000	.269	53,800
446	do	Apr. 4	Loading fuses	500	1.00	500
446½	U. S. Navy	Feb. 18	Acid plant			[5] 863,159
447	U. S. Army	Apr. 29	Powder rings	6,858,530	.03	205,755
448	do	Apr. 25	Detonators	150		5
449	do	May 1	Experiments on gas shell		(4)	5,000
450	do	May 2	Barium nitrate	1,350 pounds	.11	148
451	do	Apr. 23	Smokeless powder	250 pounds		164
452	do	Mar. 23	Adapters and boosters	25	.50	12
453	do	Mar. 19	do	200		100
454	do	Apr. 17	Ammonium nitrate	7,208,000 pounds	.15	1,081,200
455	Bartlett Hayward Co.		Loading shell	23,000	1.44	33,120
456	U. S. Army	May 2	Lyconite	1,000,000 pounds	.28	280,000
457	do	May 4	Barlow bombs	13		49
458	do	Mar. 26	Repairing boxes	1,000,000		250,000
459	F. C. Mesa	May 29	Detonators	100,000	.065	6,500
460	U. S. Army	May 8	Nitro starch	10 pounds	.30	3
461	do	May 16	Experiments with amatol		(4)	20,000
462	do	Mar. 12	Loading detonators	9	(4)	0
463	do	May 9	TNT etc.			8
464	do	May 15	Caps	1,000		60
465	do	Apr. 1	Pyro cotton	2,000,000 pounds	.30	600,000
466	do	May 22	Bags for powder drums	5,000	.15	750
467	Hercules Powder Co.		Guncotton	500,000 pounds	.30	150,000
468	Italy	May 28	Black powder	440,000 pounds	.27	118,800
469	Frankford Arsenal	Mar. 29	Rifle powder	115,000 pounds	.665	76,475
470	U. S. Cartridge Co.	June 7	Primers	3,350,000	.018	60,300

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[3] Per 1,000.

[4] Cost, plus 10 percent.

[5] Estimated.

Statement showing treasurer's contracts—Continued

YEAR 1918—Continued

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
471	Hercules Powder Co.		Nitro cotton	50,000 pounds	$0.30	$15,000
472	U. S. Army	May 25	Adapters and boosters	620	.60 .10	222
473	do	June 11	Black powder	500 pounds	.27	135
474	France	May 27	N. C. powder	33,000,000 pounds	.53	17,490,000
475	U. S. Navy	May 25	Loading mine cases	4,170		3,476
476	U. S. Army	June 12	Pyralin rings	1,000	.15	150
477	Hercules Powder Co.		Guncotton	500,000 pounds	.30	150,000
478	Aetna Explosives Co.	July 3	Pyro cotton	4,000,000 pounds	.30	1,200,000
479	U. S. Army	May 24	Black powder in cans	131,250 pounds		40,125
480	do	June 22	Shotgun powder	65 pounds	.60	39
481	do	Feb. 20	Detonators	7,000,000	.01635	114,450
482	do	May 21	Adapters and boosters	1,000	.40	400
483	do	June 24	Powder containers	25	.30	7
484	U. S. Navy		Powder cutter blades	144		186
485	U. S. Army	Feb. 26	Toluol	3,090,000 gallons	.105	324,450
486	U. S. Navy	July 12	Telephone service			25
487	Artillery Fuse Co.	July 5	Primers	525,000	[3] 16.00	8,400
488	Remington Arms U. M. C. Co.	July 31	Rifle powder	176,000 pounds	.615	108,240
489	do	June 1	do	216,000 pounds	.615	132,840
490	U. S. Army	May 23	Repairing containers and bags	65,000 65,000	.12 .04	10,400
491	Hercules Powder Co.		Guncotton	500,000 pounds	.30	150,000
492	U. S. Army	June 24	Adapters and boosters	6,100	.40	2,440
493	do	July 8	Black powder	50		1
494	do	Mar. 1	Fulminate of mercury	186,000 pounds	3.17	589,620
495	do	July 11	Grenite	50 pounds	1.00	50
496	Coast Guard		Black powder	1,500 pounds	.35	525
497	U. S. Army	July 13	Nitrovene	25 pounds	.90	22
498	do	July 10	Tracer ammunition	500,000 rounds	[3] 35.00	17,500
499	do		Ammonium nitrate	3,150,000 pounds	.15	472,500
500	do		Ammonium picrate	1,250,000 pounds	.59	737,500
501	do	June 27	Pyro cotton	500,000 pounds	.30	150,000
502	do		Repairing powder containers and bags	240,000	.09 .045	32,500
503	Recording & Comp. Machines Co.	Aug. 16	Black powder	20,000 pounds	.27	5,400
504	do	do	Pellets	1,000,000 pounds	.00325	3,250
505	do	do	Caps	1,000,000	.023	32,000
506	U. S. Army	Apr. 23	Smokeless powder	595 pounds	.495	294
507	do		Charge for Livens projectors	62,600	2.00	125,200

508	do	Aug. 12	Pyro cotton	16,500,000 pounds	.30	4,950,000
509	do	June 14	Detonators and primers	7,625,000 4,625,000	.065 .02	588,125
510	do	July 20	Electric squibs	62,600	[3] 5.67	3,549
511	do	July 18	Black powder	1,500 pounds	.32	480
512	F. C. Mesa	Aug. 21	Primers	100,000	.02	2,000
513	U. S. Navy	Aug. 30	Black powder	100,000 pounds	.65	65,000
514	U. S. Army	July 10	Lyconite	120,000 pounds	.28	33,600
515	Engineer Depot	May 3	T. N. T. blocks Ammonal	429,905 pounds 1,099,000 pounds	.68, .76 .26	579,868
516	U. S. Army	June 10	Detonators	1,000		12
517	do	May 14	Boxes	2,500	10.00	25,000
518	do	July 19	Mixture casings	500	.15	75
519	do	May 24	Boxes	15,000	4.25	63,750
520	do	May 15	do	7,500	10.00	75,000
521	do	June 20	do	500,000	4.25	2,125,000
522	do	May 17	Experimental work on explosives for hand and rifle grenades.		(4)	10,000
523	do	May 3	Loading 4.7-inch dummy shells	400	5.83	2,332
524	do		Experimental on T. M. shells		(4)	5,000
525	Hercules Powder Co		Nitrocellulose	500,000 pounds	.30	150,000
527	U. S. Navy	July 22	Smoke boxes	400	15.00	6,000
528	U. S. Army	July 13	Boosters	500	.36	180
529	do	June 21	do	500	.36	180
530	do	June 6	Loading bombs	53,000		331,729
531	do	July 22	Detonators	20,000	[3] 18.75	375
532	do	Aug. 24	"Grenite" nitro starch powder	50,000 pounds	.37	18,500
533	do		Loading fuse	350,000	.35	122,500
534	do	May 28	Adapters and boosters	500		200
535	do	May 29	Fuses, mark IX	301,000	.75	225,750
536	U. S. Navy	Aug. 5	Guncotton	5,000 pounds	1.00	5,000
537	U. S. Army	Aug. 16	Nitrotite cylinders	200 rounds	[6] .05	10
538	do	do	Nitrotite rings	1,000	.15	150
539	do	Aug. 22	Cannon powder boxes	30	5.25	157
540	Hercules Powder Co	Oct. 18	Pyro cotton	500,000 pounds	.30	150,000
541	U. S. Army	Aug. 16	Nitrotite propelling charges	500 rounds	[6] 1.20	600
542	do	Aug. 21	Pyro cotton boxes	15,000	9.25	138,750
543	do	Sept. 21	Smokeless powder	194,160,000 pounds	.4625 .4325 .4505	85,486,200
544	do	Aug. 28	Black powder	35 pounds		1
545	do	July 12	Adapters and boosters	80	.45	36
546	do	Aug. 24	Nitrotite containers	50,000	1.90	95,000
547	do	do	Dinitronapthalene	10 pounds	4.00	40
548	do	Sept. 5	Pyro cotton boxes	15,000	9.25	138,750
549	do	Aug. 26	I. M. R. No. 25 powder	15 pounds	1.25	18
550	do	July 23	Black powder	100 pounds	.32	32
551	do	Sept. 10	Smokeless powder	84,935 pounds	.665	56,481
552	Artillery Fuse Co	Oct. 10	Pimers	630,000	.018	11,340
553	Winchester R. A. Co	Oct. 11	Pistol powder	10,000 pounds	.85	8,500

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[3] Per 1,000.

[4] Cost, plus 10 per cent.

[6] Per round.

Statement showing treasurer's contracts—Continued

YEAR 1918—Continued

Treasurer no.	With whom	Date	Material	Quantity	Price per unit	Gross sales value
554	U. S. Army	Sept. 16	Ballistite	1,000 pounds	$0.90	$900
555	Stenotype Co	Sept. 27	Detonators Primers	2,000,000 2,000,000	.065 .02	170,000
556	U. S. Army	Aug. 24	Smokeless powder	85 pounds		53
557	do	Aug. 16	Detonators			108
558	do	Aug. 20	Boosters	500		180
559	Artillery Fuse Co	Oct. 17	Detonators	500,000	[3] 16.60	8,300
560	U. S. Army	Sept. 23	do	200	.065	13
561	do	Sept. 28	Rifle powder	4,350 pounds	.665	2,892
562	do	Sept. 23	Nitrotite containers	500	1.90	950
563	Frankford Arsenal	Aug. 24	Rifle powder	240,000 pounds	.65	156,000
564	U. S. Army	Apr. 10	TNT	10,000,000 pounds	.50	5,000,000
565	U. S. Navy	July 13	do	8,000,000 pounds	.35	2,800,000
566	U. S. Army	Sept. 18	Diphenylamine	82,500 pounds	.60	49,500
567	do	Oct. 10	Rifle powder	29,166,662 pounds	.5625 .5925	16,787,817
568	do	do	TNT	28,803,600 pounds	.36	10,369,296
569	England	July 30	Machinery parts			870
570	U. S. Army		Rifle powder	411,650 pounds	.60 .65	249,490
571	do	Oct. 10	Black powder	3,330,000 pounds	.2482	849,006
572	do	do	Ammonium picrate	1,500,000 pounds	.59	885,000
573	do	do	Ammonium nitrate	9,450,000 pounds	.15	1,417,500
574	do	Aug. 9	Booster casings	100	(4)	
575	do	Sept. 26	Rifle powder	400 pounds	.81	324
576	do	Sept. 28	Ballistite	110,000 pounds	.90	99,000
577	do	Oct. 10	Tetryl	900,000 pounds	.90	810,000
578	do	Oct. 5	Fuzes	50	.30	15
579	do		Black powder	1,920,000 pounds	.25	480,000
580	do	Sept. 13	Livens projector casings	75,000	2.00	150,000
581	do	Sept. 27	Detonators	2,000	[3] 29.10	58
582	do	Oct. 5	do	8,000	[3] 29.10	232
583	do	Sept. 25	Reblending powder	72,727 pounds		400
584	do	Oct. 2	Black powder	100 pounds		1
585	do	Oct. 1	Primers and caps			59
586	do	Sept. 26	Primers	200	.60	120
587	do	Oct. 16	Pressure gages	6	25.00	150
588	U. S. Navy	Oct. 10	Exploders	15,300	(4)	
589	U. S. Army	Sept. 21	Detonators and primers	6,600 450,000	.065 .02	9,429
590	Remington Arms U. M. C. Co		Pistol powder	70,000 pounds	.85	59,500

591	U. S. Army	Sept. 27	Bags for T. M. shell	2,000		500
592	do	Oct. 17	Nitro starch	50 pounds	.50	25
593	do	Aug. 29	Powder rings	9,391	.05	469
594	do	Sept. 27	Ammonium picrate	10 pounds	.75	7
595	do	Nov. 18	Nitrotite rings	4,000	.06	240
596	do		Stokes rings	2,838,000	.05	141, 900
597	do		Livens projector charges	900,000	1. 60	1, 440, 000
598	do		Smokeless powder	15,350,000 pounds 330,000 pounds	.495 .52	7, 769, 850
599	do		Rifle powder	450,000 pounds	.65	292, 500
600	do		Ballistite	90,000 pounds	.90	81, 000
601	do	Oct. 5	Detonators	2,000	[3] 29. 10	58
602	do		Loading shells	250,000	.55	137, 500
603	do	Sept. 9	Loading detonators, etc			75, 080
604	do	Oct. 29	Boxes	500,000	4. 22	2, 110, 000
605	do	Sept. 21	Cannon powder	500,000 pounds	.52	260, 000
606	do	Sept. 24	Relay cups	3,000	.10	30
607	do	Oct. 9	Detonators			2
608	do	Oct. 7	do			4
609	do	Oct. 9	do			20
610	do	do	Detonators and wire			23
611	do	Nov. 4	Caps			35
612	do	Oct. 17	Trinitronapthalene	50 pounds	5. 00	250
613	do	Oct. 28	Fuzes	100	.60	60
614	do	Nov. 7	Steel strap, etc			905
615	do	Oct. 29	Starite	100 pounds	.25	25
616	do	Oct. 28	Diphenylamine	1, 000 pounds	.60	600
617	(Contract not assigned)					
618	U. S. Army	Nov. 12	Detonators	1,000	.065	65
619	do	Oct. 25	Smokeless powder	560 pounds	.495	277
620	U. S. Navy		do	5,000,000 pounds	.4625	2, 312, 500
621	U. S. Army	Nov. 1	Dynamite	100 pounds	.23	23
622	do	Nov. 12	Caps	2,000	[7] 7. 50	150
623	do	Nov. 19	do	1,000		59
624	do	Oct. 5	Trinitroxylene	50	1. 00	50
625	do	Nov. 15	Squibs	100		10
626	do	Nov. 4	Diphenylamine	150	.50	75
627	do	Oct. 25	Boxes	295	.40	118
628	do	Nov. 23	Loading fuzes	25		10
629	do	Dec. 5	Smokeless powder	450 pounds		315
630	do	Nov. 23	Loading adapters and boosters	980		500
631	do	do	do	70		200
632	do	Dec. 2	Rifle powder	135 pounds	.665	89
	Total					213, 195, 991
	Military sales orders not covered by treasurer's contracts, approximately.					1, 372, 941
	Total					214, 568, 932

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[3] Per 1,000.

[4] Cost plus 10 per cent.

[7] Per 100.

Exhibit No. 1114

PROFITS DURING THE WAR

Except where otherwise indicated, the source for this material is the Report of the Federal Trade Commission Regarding Profiteering, Senate Documents, vol. 20 (65th Congress, 2d session), Document No. 248. Similarly, unless otherwise indicated, matter in quotation marks is from that report.

Steel

Following are data on the profits of the United States Steel Corporation:[1]

	Adjusted earnings A [2]	Total investment in tangible property B	Percent earnings of investment (Percent A of B) C	Dividends paid on common stock D
1912	89, 632, 866	1, 240, 037, 618	7. 2%	5%
1913	131, 155, 107	1, 254, 087, 247	10. 5	5
1914	45, 947, 126	1, 264, 417, 024	3. 6	3
1915	131, 223, 931	1, 298, 625, 473	10. 1	1. 25
1916	348, 254, 465	1, 503, 624, 172	23. 1	8. 75
1917	585, 494, 439	1, 660, 995, 318	35. 3	18
1918	519, 469, 417	1, 764, 408, 642	29. 4	14

[1] Source: Report on Analysis of Earnings and Disposition Thereof, United States Steel Corporation, prepared for Director General of Railroads by Washington E. Lowe, C.P.A., James L. Dohr, C.P.A., July 5, 1919, Exhibit "F", columns 3, 4, 5, and 13.

[2] Earnings in column A are reported as adjusted by the accountants, who added to the net earnings reported by the United States Steel Corporation the following items improperly deducted in the corporation's statements: Interest on bonds, etc., of subsidiary companies; inventory profits, intercompany; sinking funds on subsidiary bonds; and excess depreciation.

[Source of the following: F.T.C. Report, p. 9]

In 1918 some mills whose processes start with steel furnaces complained that the Government prices were too low for them. "A special examination of their profits by the Federal Trade Commission showed that in almost every case these objecting mills were enjoying unusual returns. The following table of percentage of return on investment in 10 mills (of this class) will show the profits in 1917:

	Percent
Alan Wood, Iron & Steel Co	52. 63
Allegheny Steel Co	78. 92
American Tube & Stamping Co	40. 03
Central Iron & Steel Co	71. 35
Eastern Steel Co	30. 24
Forged Steel Wheel Co	105. 40
Follansbee Bros. Co	112. 48
Nagel Steel Co	319. 67
West Penn Steel Co	159. 01
West Leechburg Steel Co	109. 05"

Copper

[Source: F.T.C. report, p. 10]

The Federal Trade Commission reports the following profit data of 21 copper companies and notes that they include a large proportion of high-cost producers:

	Range of profits percent of investment	Average profit percent of investment
1913	1– 56%	11. 7%
1917	1–107	24. 4

The profits used in these computations do not include Federal income or excess-profits taxes and therefore represent sums actually retained by the companies for addition to surplus or dividends.

Wartime profits of four copper companies

[Source: Select Committee on Expenditures in the War Department, [Graham Committee] Expenditures of the Ordnance Department. H. R. (66th Cong., 3d sess.) Report No. 1400, p. 94. Hearings before the Select Committee, Serial 1, vol. 3, p. 678]

	Profit	Percent of capital stock
Utah Copper Co.:		
1917	$32,000,000	200
1918	24,750,000	150
Calumet & Hecla Mining Co.:		
1917	9,500,000	800
1918	3,500,000	300
Inspiration Consolidated Copper Co.:		
1917	12,260,000	55
1918	9,250,000	40
Kennecott Copper Co.:		
1917	11,826,000	70
1918	9,390,135.90	60

Zinc

[Source: F. T. C. report, pp. 10–11]

While the Federal Trade Commission reports no unusual profits in the zinc industry, it excepts the New Jersey Zinc Co. Its percentage of net earnings and dividends follow:

	Company's data based on capital stock issue		Federal Trade Commission data based on investment	
	Net earnings	Dividends	Net earnings	Dividends
1916	72.5%	76%	95.9%	76%
1917	56	46	(1)	(1)

(1) No figures available.

The Commission notes that the company's profits on common zinc are very low. Those on grade A zinc, while high, are due to the fact that the company possesses a natural monopoly of a certain high-grade ore.

Nickel

[Source: F. T. C. report, p. 11]

The International Nickel Co. produces practically the entire output of nickel in this country. The figures for its profits and dividends are:

Year	Profits	Dividends	Percent of total capital and surplus		Percent of investment [1]	
			Profits	Dividends	Profits	Dividends
1916	$13,557,000	$10,575,000	20%	15.6%	40%	31%
1917	(2)	(2)	15%	12%	30%	24%

[1] Computed by F. T. C.
[2] No figures available.

It should be added that the increase in profits was due to the increased war output rather than to advances in price, for the company maintained prices on a prewar basis.

Sulphur

[Source: F. T. C. report, p. 11]

During the war all the sulphur in this country was produced by the Freeport Sulphur Co. and the Union Sulphur Co. In the first half of 1917 the Union company's costs were $5.73 per ton. The average realization of the Union company during this period was $18.11 per ton, making a margin of $12.38 per ton. By June 1918 costs increased but did not reach $10 per ton, while sulphuric acid manufacturers were paying about $25 per ton and some as high as $35, making a margin of over $15 per ton for the sulphur company.

Data for Freeport Sulphur Co.:

For the 11 months ending October 31, 1917, the company's balance sheets show an operating profit of $4,301,310 or 236 percent on investment.

The company's balance sheet on Nov. 30, 1916, shows dividends declared of $925,000.

The company's balance sheet on July 31, 1917, shows dividends declared of $1,850,000.

The company's balance sheet on Oct. 31, 1917, shows dividends declared of $2,600,000.

Surplus: Nov. 1916, $1,254,000; Oct. 1917, $2,543,000.

Lumber

[Source: F. T. C. report, p. 12]

In 1917, 48 southern pine companies made an average profit of 17 percent on the net investment. This is unusually large for the industry, for the average profit in 1916 was only 5.2 percent. In 1917, 47 percent of the footage of the companies covered was produced at a profit of over 20 percent.

The margin of profit per thousand board feet in 1917 was nearly double that in previous years, the figure being $4.83, as compared with $2.11 in 1916. The 1917 figures are after deducting for Federal income and excess-profits taxes, and are the sums actually available for additions to surpluses or dividends.

Coal

[Source: F. T. C. report, pp. 12–13]

The bituminous coal operators in 1917 had much larger margins than in previous years. The margin is the sum actually received by the operator for coal sold less its f. o. b. mine cost. The increase is illustrated by figures for 23 typical bituminous coal companies in the central Pennsylvania field.

Year	Average margin per ton	Highest margin	Lowest margin
1916	20¢	$0.41	13¢
1917	90¢	1.85	27¢

Petroleum and its products

[Source: F. T. C. report, pp. 13–14]

Data secured by the Federal Trade Commission for 106 refining companies for the first quarter of 1918, supplemented in certain cases by returns for the second six months of 1917, indicate that the average profit in the oil industry was about 21 percent on the investment. This is a considerable increase over the return for pre-war years when the average profits for 1913, 1914, and 1915 were 15 percent on the investment. In 1917 over 50 percent of the estimated production was produced by companies having a profit of over 20 percent. The following table shows the percentage of net earnings on investment for a series of years:

	1913	1914	1915	First quarter, 1918	1918 (estimated) [1]
Atlantic Refining Co	16.4	−3.7	21.7	[2] 15.0	+30.0
Standard of Indiana	36.5	14.5	36.0	[2] 21.7	+43.3
Standard of New Jersey	9.7	7.8	20.6	[2] 9.1	+18.2
Standard of New York	21.2	8.1	16.0	[2] 6.6	13.3
Standard of Ohio	23.4	13.8	23.9	[2] 14.3	+28.6
Standard of Kansas	91.6	1.0	17.9	[3] 25.6	+51.3
Magnolia Petroleum Co	19.2	16.5	14.2	4.4	17.6
Standard of California	16.8	12.5	10.6	6.5	+25.9
Continental Refining Co	1.6	−7.8	3.3	1.2	+4.7
Empire Oil Works	4.4	−3.1	5.6	7.3	+29.2
Penn American Refining Co	35.3	13.3	12.3	15.8	+63.1
Cosden & Co	--------	30.6	−50.7	5.9	23.5
Muskogee Refining Co	8.7	6.9	18.8	6.2	+24.8
National Refining Co	24.9	8.0	20.4	2.3	9.2
The Texas Co	17.1	13.3	12.7	[2] 13.3	26.7

[1] Estimates based on figures for last 6 months of 1917 or first quarter of 1918.
[2] Six months period, July–December 1917.
[3] Last six months of 1917.

Meat packing

[Source: F. T. C. report, pp. 14–15]

An exposition of the excess profits of four of the big meat packers (Armour, Swift, Morris, Cudahy, omitting Wilson as not comparable) is given in the fact that their aggregate average pre-war profit (1912, 1913, and 1914) was $19,000,000; that in 1915 they earned $17,000,000 excess profits over the pre-war period; in 1916, $36,000,000 more profit than in the pre-war period; and in 1917, $68,000,000 more profit than in the pre-war period. In the three war years from 1915 to 1917 their total profits have reached the astounding figure of $140,000,000, of which $121,000,000 represents excess over their pre-war profits.

These great increases in profits are not due solely to increased volume of business. The sales of these companies in this period increased 150 percent, much of this increase being due to higher prices rather than to increased volume by weight, but the return of profit increased 400 percent, or two and one-half times as much as the sales.

The profit taken by Morris & Co. for the fiscal year ended November 1, 1917, is equal to a rate of 18.6 percent on the net worth of the company (capital and surplus) and 263.7 percent on the three millions of capital stock outstanding. In the case of the other four companies the earned rate on common capital stock is much lower—from 27 percent to 47 percent—but the reason for this is that these companies have from time to time declared stock dividends and in other ways capitalized their growing surpluses. Thus Armour in 1916 raised its capital stock from twenty millions to one hundred millions without receiving a dollar more of cash. If Swift, Wilson, Cudahy, and Armour had followed the practice of Morris in not capitalizing their surpluses (accumulated from excessive profits), they too would now show an enormous rate of profit on their original capital.

"Rates of profit earned by these five companies in war years compared with the pre-war average, based on net worth (capital and surplus) and on common stock, are as follows:

Actual profit on net worth

	Armour	Swift	Morris	Wilson	Cudahy
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Pre-war average, 1912–14	6.2	8.3	6.8	(1)	7.3
War average, 1915–17	14.6	21.0	13.5	(1)	14.1
Year 1917	[2] 16.8	26.7	18.6	23.8	18.7
Rate on common stock, 1917	[2] 27.1	47.2	263.7	42.5	47.0

[1] Figures not available.
[2] Foreign business, not included, would undoubtedly raise percentages.

"The independent packers, as measured by results compiled for 65 of the largest of them, earned during 1914, 1915, and 1916 a rate of profit as high or slightly higher than that earned by the big packers in those years."

Leather and leather goods

[Source: F. T. C. Report, pp. 15–17]

A number of the larger tanning companies in the United States had net profits in 1916 that were in several instances two, three, four, or even five times as large as the 1915; and the 1915 net profits, in turn, showed increases of from 30 percent to more than 100 percent over those of 1914. One striking instance is a company whose net profits were reported as follows:

1914	$644, 390. 90
1915	945, 051. 37
1916	3, 576, 544. 27

The tanners took advantage of the enormous demand for leather and took very high prices. During 1917 the prices of hides were advanced very rapidly, notwithstanding that during the period of advance great supplies of hides were withheld from the public.

As an indication of earnings of the big packers in the selling branch of their leather business the following is quoted from a letter of January 17, 1917, by the Eastern Leather Co., an Armour selling subsidiary, to Mr. F. W. Croll, of Armour & Co.:

"We are inclosing our check on the National City Bank, New York City, payable to Mr. J. Ogden Armour, for $915,787, same being a dividend of 53 percent on the 17,279 shares of common stock standing in his name. In addition to this, and in accordance with our conversation when in Chicago, we have set aside as a surplus $250,000, which represents 10 percent on the common stock.

"We are also inclosing a check on the National City Bank for $202,145.62 payable to Mr. Armour, this being the balance due on 6,020 shares of common stock held for employees."

Flour

[Source: F. T. C. Report, p. 17]

Figures from representative mills for the four years ending June 30, 1916, indicate that the flour millers received a profit of 13½ cents on each barrel of flour and 12 percent on the capital investment. In the year ending June 30, 1917, these same mills made an average of 52 cents on each barrel of flour sold and nearly 38 percent on their capital investment. For six months of the year one mill showed an average profit of $2 per barrel.

The average net profit of jobbers reporting to the Federal Trade Commission was about 15 cents per barrel for 1913 and 1914, but increased to nearly 50 cents the first half of 1917. These profits include all the pay received by the proprietors of the business for their services.

Salmon canners

[Data and quotation from F. T. C. Report, pp. 18–19]

Ninety percent of the salmon packed in 1917 was produced at a total cost that was less than $7.75. The weighted average of the 1917 opening prices for different grades of salmon was $8.29 per full case, but more salmon was sold above than below this price during the year. This indicates a margin for a high-cost canner of 54 cents per case and larger margins on the bulk of the production. Several canners having costs in the vicinity of $7.25 in 1917 made profits as follows:

	Cost	Profit
		Percent
Alaska Salmon Co	$7. 12	19
Everett Packing Co	7. 43	5
San Juan Packing Co	7. 02	24
Cascade Packing Co	7. 13	62
Ocean Food Packing Co	7. 58	14
Salina Packing Co	7. 71	31

These are high-cost companies. The following figures concern the average:

In 1917 the average net profit on investment of 90 companies, packing 7,426,678 full cases (87 percent of the total year's pack) was $2.28 per case, or 52.8 percent on the net investment in the salmon canning business proper. This average of 52.8 percent does not reveal the fact that some of the low-cost companies, included in the average, made over 200 percent. It is significant that some of these low-cost companies are those allied with the big meat packers.

Ordnance

[Source: Report on Expenditures in the Ordnance Department, cited above under Copper. Report No. 1400, pp. 37–39; serial 1, vol. 3, pp. 621–623. Quotation from p. 39 (623)]

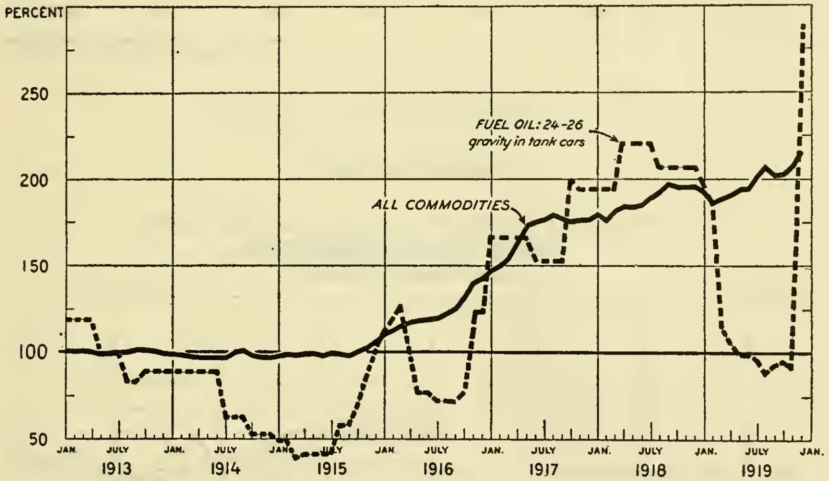
American Brake Shoe & Foundry Co. had several Government contracts for howitzers and the Government furnished $5,572,945 for new buildings and machinery equipment in connection with them. The exact plans for the howitzers were apparently not definitely in hand and according to the company's statement the Ordnance officers made 30 changes in dimensions and specifications. Consequently, there were repeated delays in turning out the guns.

"As a result of these contracts, in addition to costs of every kind, including salaries of executive officers, the American Brake Shoe & Foundry Co. received a profit of $841,364.70. Included in the cost were the labor, materials, salaries, and even taxes, all of which the Government paid, and an additional item of $37,500 interest on money which the company had used in this work. The entire amount paid to the company, exclusive of its cost, amounted to, approximately, $1,000,000."

Exhibit No. 1115–A

PRICE PER BARREL OF FUEL OIL F.O.B. REFINERY, OKLAHOMA AND PRICES OF ALL COMMODITIES

INDEX NUMBERS (1913 = 100)



U.S. DEPARTMENT OF AGRICULTURE

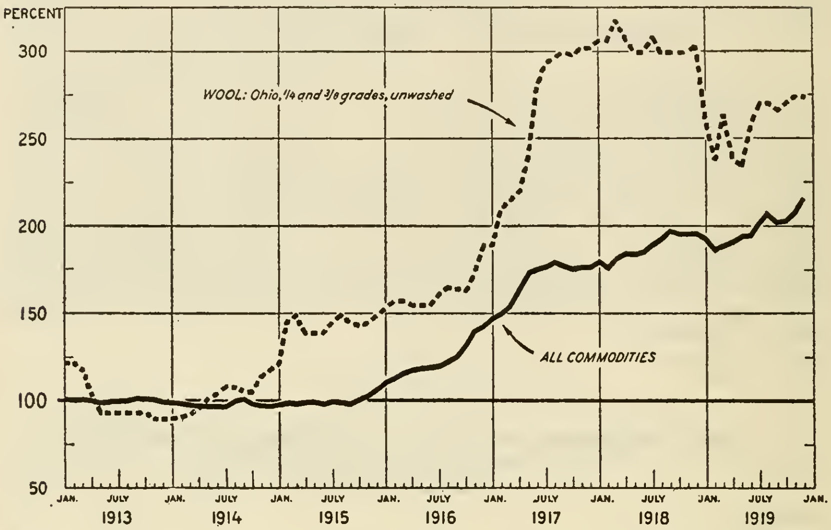
NEG. BUREAU OF AGRICULTURAL ECONOMICS

DATA FURNISHED BY BUREAU OF LABOR STATISTICS

Exhibit No. 1115–B

PRICE PER POUND OF WOOL AT BOSTON AND PRICES OF ALL COMMODITIES

INDEX NUMBERS (1913 = 100)



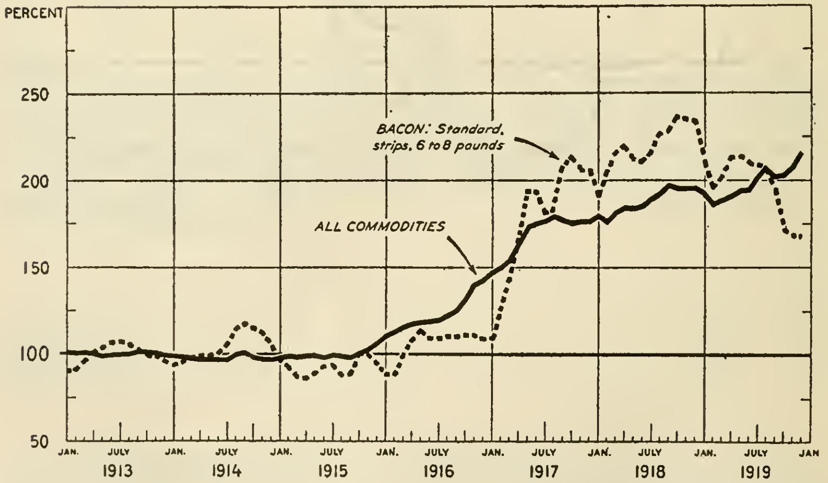
U. S. DEPARTMENT OF AGRICULTURE

NEG. BUREAU OF AGRICULTURAL ECONOMICS
DATA FURNISHED BY BUREAU OF LABOR STATISTICS

Exhibit No. 1115–C

PRICE PER POUND OF BACON AT CHICAGO AND PRICES OF ALL COMMODITIES

INDEX NUMBERS (1913 = 100)



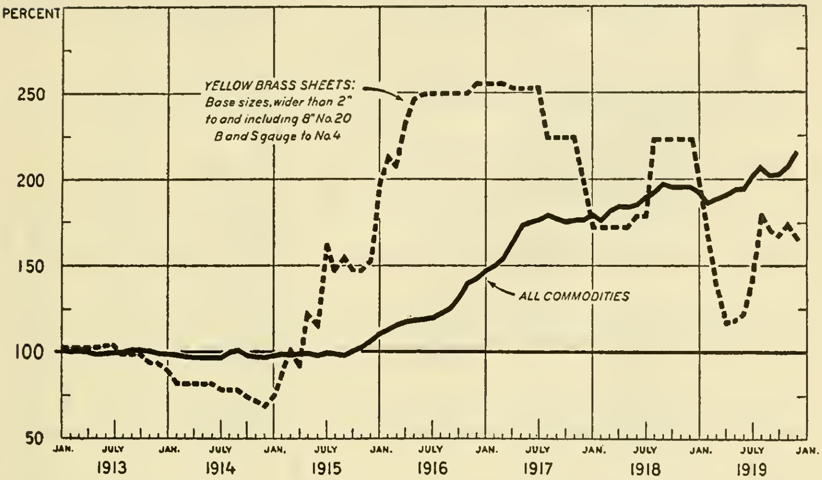
U. S. DEPARTMENT OF AGRICULTURE

NEG. BUREAU OF AGRICULTURAL ECONOMICS
DATA FURNISHED BY BUREAU OF LABOR STATISTICS

Exhibit No. 1115–D

PRICE PER POUND OF YELLOW BRASS SHEETS AND PRICES OF ALL COMMODITIES

INDEX NUMBERS (1913 = 100)



U. S. DEPARTMENT OF AGRICULTURE

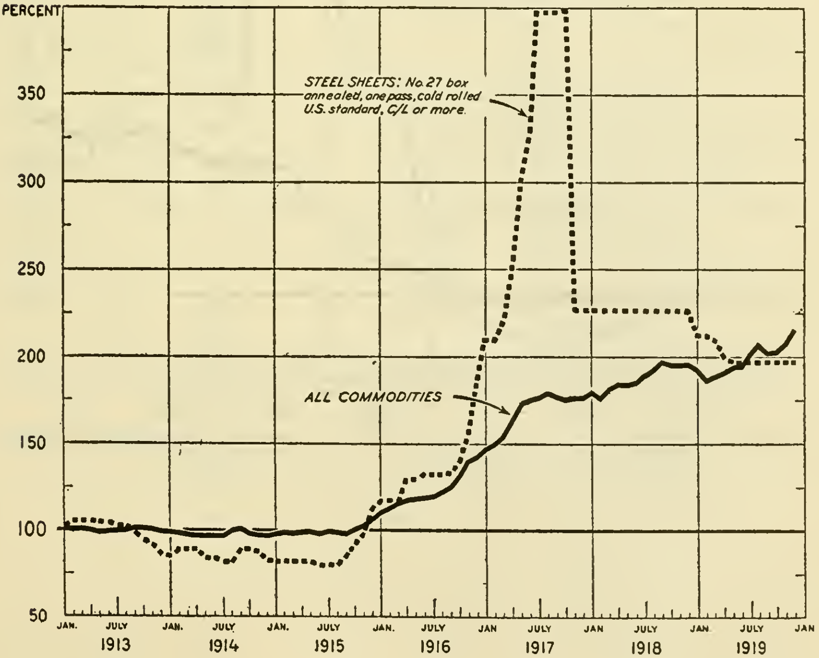
NEG. BUREAU OF AGRICULTURAL ECONOMICS

DATA FURNISHED BY BUREAU OF LABOR STATISTICS

Exhibit No. 1115–E

PRICE PER POUND OF STEEL SHEETS AT PITTSBURGH DISTRICT MILLS AND PRICES OF ALL COMMODITIES

INDEX NUMBERS (1913 = 100)



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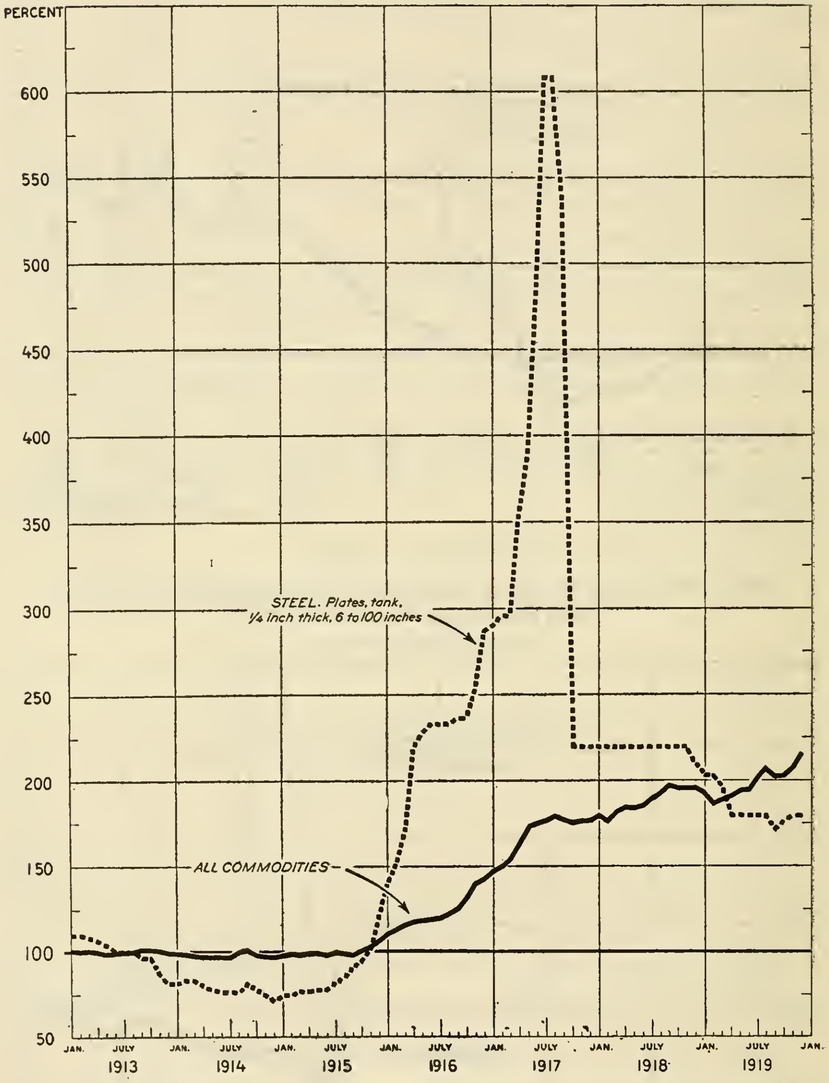
DATA FURNISHED BY BUREAU OF LABOR STATISTICS

Exhibit No. 1115–F

PRICE PER POUND OF STEEL PLATES AT PITTSBURGH
AND PRICES OF ALL COMMODITIES
INDEX NUMBERS (1913 = 100)



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BUREAU OF AGRICULTURAL ECONOMICS
DATA FURNISHED BY BUREAU OF LABOR STATISTICS

EXHIBIT NO. 1116

[Source: Senate Document No. 259, Vol. 15, Corporate Earnings and Government Revenues.]

Corporate earnings for 1917 and 1916, with ratios of net income to capital

CHEMICAL AND ALLIED INDUSTRIES: CLEANSING AND POLISHING PREPARATIONS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE C-4																
1	$36,000	$45,858	$17,934	$803	[1] $3,748	$4,551	25.38	$13,383	49.82	39.11	37.18	29.18	$36,000	$18,110	50.31	----------
2	425,000	473,491	188,130	7,960	55,459	63,419	33.71	124,711	44.26	39.73	29.34	26.34	425,000	61,483	14.47	29.79
3	16,500	31,891	5,998	353	113	466	7.77	5,532	36.35	18.81	33.53	17.35	15,000	7,034	46.89	----------
4	50,000	98,425	51,041	1,946	18,607	20,553	40.27	30,488	102.08	51.86	60.98	30.98	50,000	72,243	144.49	----------
5	12,500	12,500	3,409	204	----------	204	5.98	3,205	27.27	27.27	25.64	25.64	12,500	2,624	20.99	6.28
6	20,000	51,907	11,040	595	1,109	1,704	15.43	9,336	55.20	21.27	46.68	17.99	20,000	10,051	50.26	4.94
7	102,000	102,000	16,556	911	1,362	2,273	13.73	14,283	16.23	16.23	14.00	14.00	50,150	4,169	8.31	7.92
8	37,600	32,600	7,619	415	694	1,109	14.56	6,510	20.26	23.37	17.31	19.97	37,600	1,874	4.98	15.28
9	12,000	12,718	4,199	250	24	274	6.53	3,925	34.99	33.02	32.71	30.86	12,000	718	5.98	29.01
10	50,000	98,802	36,752	1,752	[1] 5,818	7,570	20.60	29,182	73.50	37.20	58.36	29.54	50,000	24,577	49.15	24.35
11	75,000	75,000	17,774	933	2,208	3,141	17.67	14,633	23.70	23.70	19.51	19.51	30,000	11,279	37.60	----------
12	150,000	376,670	98,437	4,877	17,126	22,003	22.35	76,434	65.62	26.13	50.96	20.29	150,000	28,513	19.01	46.61
13	391,805	452,041	115,253	5,751	19,395	25,146	21.82	90,107	29.19	25.50	22.82	19.93	341,275	215,525	63.15	----------
14	2,700	6,996	3,353	201	----------	201	5.99	3,152	124.19	47.93	116.74	45.05	2,700	1,752	64.89	59.30
15	20,000	20,777	5,909	328	435	763	12.91	5,146	29.55	28.44	25.73	24.77	20,000	9,197	45.99	----------
16	5,000	4,070	3,538	204	127	331	9.36	3,207	70.76	86.93	64.14	78.80	5,000	[2] 403	−8.06	78.82
17	111,000	119,964	44,052	1,956	11,435	13,391	30.40	30,661	39.69	36.72	27.62	25.56	111,000	39,687	35.75	3.94
18	122,350	117,248	18,255	1,022	1,208	2,230	12.22	16,025	14.92	15.57	13.10	13.67	122,350	31,041	25.37	----------

[1] 11 months.

[2] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE C-4

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Theodore Leonard Wax Co.	Paterson, N. J.	11756907	10. Foot Manufacturing Co.	Jersey City, N. J.	11756622
2. Southwark Manufacturing Co.	Camden, N. J.	10750270	11. India Alkali Works	Boston, Mass.	1753792
3. H. and H. Cleaner Co.	Des Moines, Iowa	35750608	12. H. F. Taintor	New York, N. Y.	2750419
4. Oakley Chemical Co.	New York, N. Y.	2751080	13. Channel Chemical Co.	Chicago, Ill.	26752391
5. Britt Amonia Co.	Milwaukee, Wis.	32751522	14. Shepard Plaiting Co.	Racine, Wis.	32750444
6. Nickel Plate Stove Polish Co.	Chicago, Ill.	26753045	15. R. W. Morris Mfg. Co.	Kansas City, Mo.	37751655
7. Valley Chemical & Mfg. Co.	Chicago, Ill.	26753953	16. Cotton-Waxo Co.	St. Louis, Mo.	36750497
8. Wm. Knappman & Co.	Brooklyn, N. Y.	4750415	17. Carbona Product Co.	New York, N. Y.	3750672
9. Absorene Mfg. Co.	St. Louis, Mo.	36750344	18. Feculose Co. of America	Boston, Mass.	1752719

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: CRUDE CHEMICALS, ACIDS, AND FERTILIZERS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the per cent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE C-5																
1	$200,000	$224,453	$130,197	$4,776	$50,583	$55,359	42.51	$74,838	65.10	58.00	37.42	33.34	$200,000	$79,285	39.64	25.46
2	10,000	27,000	7,028	396	420	816	11.61	6.212	70.28	26.03	62.12	23.01	10,000	5,035	50.35	19.93
3	250,000	272,588	60,502	3,139	8,173	11,312	18.69	49,190	24.20	22.19	19.68	18.04	250,000	77,685	31.07	----------
4	50,000	154,811	71,693	2,835	24,435	27,270	38.04	44,423	143.38	46.31	88.85	28.68	50,000	64,411	128.82	14.56
5	312,100	230,404	111,260	4,337	38,968	43,305	38.92	67,955	35.65	48.29	21.77	29.49	200,000	3,472	1.74	33.91
6	100,000	86,159	43,010	1,667	15,211	16,878	39.24	26,132	43.01	49.92	26.13	30.33	100,000	15,095	15.09	27.92
7	150,000	379,647	66,923	3,628	6,449	10,077	15.05	56,846	44.61	17.63	37.90	14.97	150,000	138,243	92.16	----------
8	25,000	46,754	12,186	636	1,577	2,213	18.16	9,973	48.74	26.06	39.89	21.33	25,000	9,569	38.28	10.46
9	15,000	19,757	4,002	240	--------	240	6.00	3,762	26.68	20.26	25.08	19.04	15,000	2,753	18.35	8.33
10	50,000	50,000	21,269	900	6,261	7,161	33.67	14,108	42.54	42.54	28.22	28.22	50,000	5,772	11.54	31.00
11	100,000	251,069	67,226	3,316	11,951	15,267	22.71	51,959	67.23	26.77	51.96	20.69	100,000	78,162	78.16	----------
12	38,000	85,445	36,019	1,495	11,099	12,591	34.96	23,425	94.79	42.15	61.64	27.41	38,000	66,066	173.86	----------
13	500	561,081	181,376	8,327	42,585	50,912	28.07	130,464	36,275.20	32.32	26,092.80	23.25	500	968,740	193,748.00	----------
14	40,000	52,453	7,887	314	[1] 16	330	4.18	7,557	19.72	15.03	18.89	14.41	40,000	44	.11	19.61
15	25,000	28,422	24,623	1,373	1,729	3,102	12.59	21,521	98.49	86.63	86.08	75.72	25,000	16,415	65.66	32.83
16	1,000,000	2,900,911	689,780	34,856	108,831	143,687	20.83	546,093	68.98	23.78	54.61	18.82	1,000,000	1,486,895	148.69	----------
17	100,000	153,912	43,888	2,141	8,198	10,339	23.56	33,549	43.89	28.51	33.55	21.80	100,000	39,152	39.15	4.74
18	250,000	502,390	161,571	7,492	36,688	44,180	27.35	117,391	64.63	32.16	46.96	23.37	250,000	417,209	166.88	----------
19	100,000	183,320	30,131	1,659	2,479	4,138	13.72	25,993	30.13	16.44	25.99	14.18	100,000	59,416	59.42	----------
20	40,000	186,019	49,490	2,094	6,164	8,258	16.69	41,232	123.72	26.60	103.08	22.16	40,000	40.477	101.19	22.53
21	14,000	13,313	4,168	247	46	293	7.03	3,875	29.77	31.30	27.68	29.11	9,750	[2] 733	−7.52	37.29
22	150,000	97,368	24,008	1,238	3,362	4,600	19.16	19,408	16.00	24.66	12.94	19.93	150,000	44,727	29.82	----------
23	25,000	42,192	11,418	586	1,645	2,231	19.53	9,187	45.67	27.06	36.74	21.77	25,000	11,111	44.44	1.23
24	7,500	9,241	4,604	247	464	711	15.44	3,893	61.39	49.82	51.91	42.13	7,500	8,752	116.69	----------
25	75,342	68,699	121,094	3,436	63,812	67,218	55.53	53,846	160.73	176.27	71.47	78.38	6,000	54,533	908.88	----------
26	159,600	354,233	66,421	3,481	8,388	11,869	17.87	54,552	41.62	18.75	34.18	15.40	159,600	44,329	27.78	13.84
27	20,000	29,361	7,875	423	811	1,234	15.67	6,641	39.38	26.82	33.21	22.62	20,000	24,062	120.31	----------
28	10,000	11,352	6,923	306	1,809	2,115	30.55	4,808	69.23	60.98	48.08	42.35	10,000	1,039	10.39	58.84
29	30,000	30,989	6,420	369	257	626	9.75	5,794	21.40	20.72	19.31	18.70	30,000	[3] 989	3.30	18.10

[1] 6 months.

[2] Loss.

[3] 11 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: CRUDE CHEMICALS, ACIDS, AND FERTILIZERS—Continued

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess profits tax (5)	Total tax (6)										
CODE C-5																
30	$101,200	$210,715	$36,436	$1,905	$4,671	$6,576	18.05	$29,860	36.00	17.29	29.51	14.17	$82,900	$58,601	70.69	------------
31	15,500	41,236	13,706	651	2,840	3,491	25.47	10,215	88.43	33.24	65.90	24.77	15,550	11,766	75.67	12.76
32	150,000	188,736	43,729	2,234	6,495	8,729	19.96	35,000	29.15	23.17	23.33	18.54	150,000	23,181	15.45	13.70
33	15,000	36,010	7,213	419	219	638	8.85	6,575	48.09	20.03	43.83	18.26	15,000	14,407	96.05	------------
34	700,000	1,422,247	817,455	29,895	319,203	349,098	42.71	468,357	116.78	57.48	66.91	32.93	683,500	284,204	41.58	75.20
35	250,000	1,129,497	746,055	25,929	313,896	339,825	45.55	406,230	298.42	66.05	162.49	35.97	250,000	784,437	313.77	------------
36	864,700	972,822	176,260	7,948	[5] 17,287	25,235	14.32	151,025	20.38	18.12	17.47	15.52	864,700	536,158	62.01	------------
37	20,000	246,908	76,563	3,215	[5] 12,259	15,474	20.21	61,089	382.81	31.01	305.45	24.74	20,000	41,039	205.20	177.61
38	50,000	53,239	18,649	854	4,413	5,267	28.24	13,382	37.30	35.03	26.76	25.14	50,000	1,732	3.46	33.84
39	20,000	29,937	6,156	91	[6] 121	212	3.44	5,944	30.78	20.56	29.72	19.86	20,000	6,156	30.78	------------
30	5,000	11,570	10,323	389	3,838	4,227	40.95	6,096	206.46	89.22	121.92	52.69	5,000	4,450	89.00	117.46
41	25,000	28,317	9,778	478	1,803	2,281	23.33	7,497	39.11	34.52	29.99	26.47	25,000	2,162	8.65	30.46
42	18,000	20,000	9,823	421	2,794	3,215	32.73	6,608	54.57	49.12	36.71	33.04	18,000	------------	------------	------------
43	15,000	5,903	7,915	313	2,666	2,979	37.64	4,936	52.77	134.08	32.91	83.62	3,000	193	6.43	46.34
44	60,000	59,507	26,850	1,094	8,607	9,701	36.13	17,149	44.75	45.12	28.58	28.82	60,000	48,868	81.45	------------
45	250,000	251,870	77,571	3,655	16,648	20,303	26.17	57,268	31.03	30.80	22.91	22.74	250,000	93,518	37.41	------------
46	1,000	19,666	6,509	336	908	1,244	19.11	5,265	650.90	33.10	526.50	26.77	1,000	18,890	1,889.00	------------
47	100,000	100,000	30,185	1,431	6,333	7,764	25.72	22,421	30.19	30.19	22.42	22.42	100,000	------------	------------	------------
48	25,000	35,907	11,659	564	2,252	2,816	24.15	8,843	46.64	32.47	35.37	24.63	25,000	27,992	111.94	------------
49	35,000	47,471	9,973	584	[4] 361	945	9.48	9,028	28.49	21.01	25.79	19.02	35,000	9,932	28.38	.11
50	43,505	39,993	10,643	553	1,439	1,992	18.72	8,651	24.46	26.61	19.88	21.63	43,505	6,814	15.66	8.80
51	75,000	78,997	86,224	2,673	41,655	44,328	51.41	41,896	114.97	109.15	55.86	53.03	75,000	79,049	105.40	9.57
52	98,000	213,165	260,611	7,773	131,039	138,812	53.26	121,799	265.93	122.26	124.28	57.14	98,000	138,381	141.21	124.72
53	50,000	50,000	32,988	1,187	13,193	14,380	43.59	18,608	65.98	65.98	37.22	37.22	40,000	33,750	84.38	------------
54	55,000	59,222	14,496	755	1,897	2,652	18.29	11,844	26.36	24.48	21.53	20.00	55,000	13,154	23.92	2.44
55	210,000	257,319	61,120	3,093	9,568	12,661	20.71	48,459	29.10	23.75	23.08	18.83	210,000	44,815	21.34	7.76
56	1,975,000	2,494,738	974,077	40,778	294,453	335,231	34.42	638,846	49.32	39.04	32.35	25.61	1,975,000	529,039	26.79	22.53
57	14,750	16,169	4,359	260	--------	260	5.98	4,089	29.48	26.90	27.72	25.29	14,750	2,562	17.37	12.11
58	7,200	11,405	1,754	105	--------	105	5.99	1,649	24.36	15.38	22.90	14.46	7,200	4,429	60.13	------------
59	100,000	154,887	130,436	4,244	59,695	63,939	49.02	66,497	130.44	84.21	66.50	42.93	100,000	68,787	68.79	61.65

60	150,000	595,622	100,538	5,471	9,346	14,817	14.74	85,721	67.03	16.88	57.15	14.39	150,000	153,770	102.51	----------
61	50,000	276,037	100,854	4,443	26,788	31,231	30.97	69,623	201.71	36.54	139.25	25.22	50,000	259,799	519.60	----------
62	2,000	2,000	6,281	361	262	623	9.92	5,658	314.05	314.05	282.90	282.90	2,000	1,058	52.90	261.15
63	2,500	3,231	3,676	206	231	437	11.89	3,239	147.04	113.77	129.56	100.25	2,500	1,933	77.32	69.72
64	25,000	28,559	12,850	461	[7] 2,194	2,655	20.66	10,195	51.40	44.99	40.78	35.70	25,000	12,575	50.30	1.10
65	25,000	65,414	14,473	763	1,489	2,252	15.56	12,221	57.89	22.13	48.88	18.68	25,000	7,255	29.02	28.87
66	3,000	4,754	9,203	383	2,950	3,333	36.22	5,870	306.77	193.58	195.67	123.47	3,000	9,061	302.03	4.74
67	39,700	48,690	10,768	577	1,148	1,725	16.02	9,043	27.12	22.12	22.78	18.57	40,000	2,291	5.73	21.39
68	27,000	31,706	12,114	548	2,967	3,515	29.02	8,599	44.87	38.21	31.85	27.12	27,000	5,468	20.25	24.62
69	36,000	78,416	12,450	697	827	1,524	12.23	10,926	34.58	15.88	30.35	13.93	36,000	5,250	14.58	20.00
70	5,000	42,483	31,354	1,095	13,091	14,186	45.24	17,168	627.08	73.80	343.36	40.41	5,000	47,852	957.04	----------
71	50,000	143,854	55,000	2,391	15,137	17,528	31.87	37,472	110.00	38.23	74.94	26.05	50,000	62,500	125.00	----------
72	250,000	384,599	134,236	4,411	[6] 13,933	18,344	13.67	115,892	53.69	34.90	46.36	30.13	250,000	134,236	53.69	----------
73	10,000	13,316	4,438	72	[6] 97	169	3.81	4,269	44.38	33.33	42.69	32.06	10,000	4,438	44.38	----------
74	120,500	272,336	41,647	2,261	3,956	6,217	14.93	35,430	34.56	15.29	29.40	13.01	120,500	42,402	35.19	----------
75	25,200	25,400	5,389	316	112	428	7.94	4,961	21.38	21.22	19.69	19.53	25,200	[8] 7,022	−27.86	49.24
76	43,000	125,425	126,892	3,984	60,484	64,468	50.80	62,424	295.10	101.17	145.17	49.77	16,600	97,750	588.85	----------
77	500,000	975,313	179,437	8,708	16,157	24,865	13.86	154,572	35.89	18.40	30.91	15.85	500,000	152,613	30.52	5.37
78	40,000	82,879	12,897	723	842	1,565	12.13	11,332	32.24	15.56	28.33	13.67	40,000	3,712	9.28	22.96
79	20,000	77,026	76,672	2,440	36,160	38,600	50.34	38,072	383.36	99.54	190.36	49.43	20,000	126,041	630.21	----------
80	30,000	60,446	9,798	587	513	1,100	11.23	8,698	32.66	16.21	28.99	14.39	30,000	10,364	34.55	----------
81	900,000	1,056,367	188,964	10,104	20,548	30,652	16.22	158,312	21.00	17.89	17.59	14.99	600,000	138,775	23.13	----------
82	20,000	26,010	5,810	342	164	506	8.71	5,304	29.05	22.34	26.52	20.39	20,000	2,936	14.68	14.37
83	200,000	326,943	154,606	6,061	53,584	59,645	38.57	94,961	77.30	47.29	47.48	29.05	200,000	115,381	57.69	19.61
84	140,000	152,998	27,751	1,482	3,048	4,530	16.32	23,221	19.82	18.14	16.59	15.18	140,000	48,642	34.74	----------
85	42,000	57,164	15,774	791	2,582	3,373	21.38	12,401	37.56	27.59	29.53	21.69	30,000	15,164	50.55	----------
86	100,000	106,300	22,236	1,177	2,771	3,948	17.75	18,288	22.23	20.92	18.29	17.19	100,000	633	.63	21.60
87	235,000	212,634	112,154	4,204	42,027	46,231	41.22	65,923	47.73	52.75	28.05	31.00	190,000	27,954	14.71	33.02
88	30,000	44,023	11,450	589	1,625	2,214	19.34	9,236	38.17	26.01	30.79	20.98	30,000	816	2.72	35.45
89	17,000	16,583	6,394	320	1,069	1,389	21.72	5,005	37.61	38.56	29.44	30.18	14,500	1,200	8.28	29.33
90	150,000	172,823	60,277	2,751	12,287	15,038	24.95	45,239	40.18	34.88	30.16	26.18	150,000	64,047	42.70	----------
91	1,000,000	1,127,389	260,540	13,229	38,470	51,699	19.84	208,841	26.05	23.10	20.88	18.52	500,000	228,664	45.73	----------
92	500,000	500,000	283,419	10,438	109,451	119,889	42.30	163,530	56.68	56.68	32.71	32.71	355,800	45,127	12.68	44.00
93	20,000	21,411	9,135	413	2,236	2,649	29.00	6,486	45.67	42.66	32.43	30.29	20,000	2,589	12.94	32.73
94	15,000	36,488	5,544	332	--------	332	5.99	5,212	36.96	15.19	34.75	14.28	15,000	15,389	102.59	----------
95	20,000	37,262	5,970	238	--------	238	3.99	5,732	29.85	16.02	28.66	15.38	20,000	5,861	29.30	.55
96	200,000	214,013	41,615	2,191	4,546	6,737	16.19	34,878	20.81	19.45	17.44	16.30	200,000	43,057	21.53	----------
97	315,000	338,870	57,051	2,187	[4] 2,373	4,560	7.99	52,491	18.11	16.84	16.66	15.49	210,000	54,416	25.91	----------
98	3,328,000	4,512,730	805,343	36,489	[5] 59,099	95,588	11.87	709,755	24.20	17.85	21.33	15.73	1,175,950	761,690	64.77	----------
99	1,000,000	1,206,301	382,465	17,945	90,672	108,617	28.40	273,848	38.25	31.71	27.38	22.70	933,800	239,249	25.62	12.63
100	20,800	49,856	6,068	364	--------	364	6.00	5,704	29.17	12.17	27.42	11.44	20,800	18,941	91.06	----------
101	435,000	426,579	95,386	4,708	12,261	16,969	17.79	78,417	21.93	22.36	18.03	18.38	210,000	[8] 68,802	32.76	----------
102	111,700	285,098	17,106	1,026	--------	1,026	6.00	16,080	15.31	6.00	14.40	5.64	105,200	8,675	8.25	7.06
103	32,000	37,395	5,395	353	--------	353	6.54	5,042	16.86	14.43	15.76	13.48	32,000	24,119	75.37	----------
104	12,000	80,001	11,956	666	511	1,177	9.84	10,779	99.63	14.94	89.82	13.47	12,000	18,413	153.44	----------

[4] 6 months.

[5] 9 months.

[6] 5 months.

[7] 7 months.

[8] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE C-5

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The McNeal Edwards Co	Fairport, Va	17750263	54. Paige & Jones Chemical Co. Inc	New York, N. Y	3750768
2. Apex Chemical Co	New York, N.Y	4750733	55. Trojan Chemical Co. Inc	Allentown, Pa	12750876
3. Crown Chemical Co	Pittsburgh, Pa	15750743	56. Du Pont Nitrate Co	Wilmington, Del	16751625
4. Custer City Chemical Co	Custer City, Pa	15751050	57. Iron Hydroxide Co	Philadelphia, Pa	12750723
5. Commonwealth Chemical Corp	Hoboken, N.J	11756361	58. Greer Fertilizer Co	Greer, S. C	58750134
6. Thorum Chemical Co	Maywood, N.J	11757529	59. St. Bernard Rendering & Fertilizing Co	New Orleans, La	62750916
7. J. T. Baker Chemical Co	Phillipsburg, N.J	11756210	60. American Carbolite Co	West Duluth, Minn	34752381
8. Arrow Boiler Comp. Co	St. Louis, Mo	36750360	61. Superior Chemical Co	Joliet, Ill	26754182
9. The Boykin Chemical & Fertilizer Co	Baltimore, Md	16750668	62. Oconee Alkali & Chemical Co	Athens, Ga	59751710
10. American Fertilizer Co	Savannah, Ga	59750028	63. Pacific Amonia Bottling Co	San Francisco, Calif	47751041
11. Vera Chemical Co	N. Milwaukee, Wis	32750475	64. Warren County Fertilizer Co	Warrenton, Ga	59750855
12. Columbus Crystal Co	Newark, N.J	11756462	65. Marlboro Fertilizer Co	Bennettsville, S. C	58750033
13. Newport Hydro Carbon Co	Milwaukee, Wis	32752140	66. Menominee Potash Co	Menominee, Mich	31750354
14. Swainsboro Fertilizer Co	Swainsboro, Ga	59750726	67. The Crown Chemical Co	Indianapolis, Ind	24751666
15. Western Boiler Compound & Chemical Co	Kansas City, Mo	37750808	68. Los Angeles Fertilizer Co	Los Angeles, Calif	48750382
16. The North American Chemical Co	Bay City, Mich	30750996	69. Batesburg Cotton Oil Co	Batesburg, S. C	58750695
17. Digestive Ferment Co	Detroit, Mich	30750868	70. The Antihamnia Chemical Co	St. Louis, Mo	36750342
18. Beckton Chemical Co	Philadelphia, Pa	12752118	71. The M Hamm Co	Washington C. H., Ohio	20751157
19. Beerston Acetate Co	New York, N.Y	6750106	72. Southern Fertilizer & Chemical Co	Savannah ,Ga	59750675
20. Riefler & Sons, Inc	Honesdale, Pa	14750930	73. Maysville Guano Co	Maysville, Ga	59750940
21. Southern Chemical Products Co	Atlanta, Ga	59750785	74. York Chemical Works	York, Pa	13750705
22. Anderson Chemical Co	Wallington, N.J	11756192	75. Spartanburg Fertilizer Co	Spartanburg, S. C	58750469
23. Iowa Soda Products Co	Detroit, Mich	30750413	76. P. W. Drackett & Sons Co	Cincinnati, Ohio	20751166
24. American Calcium Chloride Works	Hartford, W.Va	19750870	77. Baugh Chemical Co	Baltimore, Md	16750858
25. Chlorine Products Co	New York, N.Y	2750801	78. The Peerless Fertilizer Co	Chestertown, Md	16751040
26. Griffith & Boyd Co	Baltimore, Md	16750618	79. Saginaw Chemical Co	Saginaw, Mich	30751028
27. Park Chemical Co	Detroit, Mich	30757007	80. Dixie Guano Co. Inc	Suffolk, Va	17750130
28. The Alloys Company	San Francisco, Calif	47750003	81. Hawaiian Fertilizer Co. Ltd	Honolulu, T. H	49750094
29. C. B. Fleet Co., Inc	Lynchburg, Va	18750264	82. The Seneca Fertilizer Co	Seneca, S. C	58750150
30. Katzenbach & Bullock Co	Trenton, N.J	10750509	83. Standard Acid Works Inc	Baltimore, Md	16750758
31. Central City Chemical Co	Chicago, Ill	26753216	84. Chicago Copper & Chemical Co	Chicago, Ill	26750067
32. Central Chemical Co	do	26753304	85. Southport Fish Scrap & Oil Co	Beauport, N. C	56750367
33. Independent Guano Co	Greenville, S.C	58751049	86. Wulbern Fertilizer Co	Charleston, S. C	58750408
34. Victor Chemical Works	Chicago, Ill	26751914	87. The Penn Chemical Works	Philadelphia, Pa	12750756
35. New England Mfg. Co	Boston, Mass	1751850	88. Dockwiler & Kingsbury Co	Indianapolis, Ind	24751235
36. The Smith Agricultural Chemical Co	Columbus, Ohio	22750639	89. Sea Products Co	Everett, Wash	45751722
37. The Malthie Chemical Co	Newark, N.J	11756955	90. The Newton Chemical Co	Campbell, N. Y	7750885
38. Schering & Glatz, Inc	New York, N.Y	2750708	91. Philadelphia Quartz Co	Philadelphia, Pa	12750440
39. Westminister Oil & Fertilizer Co	Westminister, S.C	58750679	92. Morris Fisher Co. Inc	Reedville, Va	17750286
40. Carteret Fish & Oil Co	Morehead City, N.C	56750152	93. Pioneer Fish Reduction Co	San Diego, Calif	48750522
41. International Seed Co	Rochester, N.Y	7750355	94. Southern California Fertilizer Co	Los Angeles, Calif	48750586

42. The J. H. B. Products Co.	Willoughby, Ohio	23753744
43. Antigo Potash Co.	Antigo, Wis.	32751506
44. Coryville Chemical Co.	Bradford, Pa.	15751047
45. Michigan Ammonia Works	Detroit, Mich.	30750515
46. Alaska Chemical Co.	Jersey City, N.J.	11756136
47. Wisconsin Chemical Co.	Grand Rapids, Mich.	31750525
48. The Marcy Co.	Boston, Mass.	1752242
49. Davisboro Fertilizer Co.	Davisboro, Ga.	59750432
50. Oceanic Eng. Corp.	Long Beach, Calif.	48750994
51. Howe & Samuel, Inc.	Philadelphia, Pa.	12752314
52. The Standard Ultramarine Co.	Huntington, W.Va.	19751288
53. Wallace Fisheries Co.	Morehead City, N.C.	56750223
95. Lawrenceville Fertilizer Co.	Lawrenceville, Ga.	59751305
96. The Wm. B. Tilgham Co.	Salisbury, Md.	16751019
97. Jackson Fertilizer Co.	Jackson, Miss.	61751043
98. Merrimac Chemical Co.	Boston, Mass.	1753340
99. Niagara Alkali Co.	Niagara Falls, N. Y.	7751284
100. Orleans Chemical Co.	Elysian Fields and Florida Walk, La.	62751344
101. Miller Fertilizer Co.	Baltimore, Md.	16750623
102. E. H. & J. A. Meadows Co.	New Bern, N. C.	56750540
103. Cushing Acid Works	Cushing, Okla.	64751367
104. Domestic Chemical Corp.	Brooklyn, N. Y.	4750353

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: DYSETUFFS, EXTRACTS, AND COLORING MATERIALS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE C-7																
1	$16,500	$27,900	$13,029	$553	$3,797	$4,350	33.49	$8,679	78.96	46.70	52.60	31.11	$25,000	$109,886	439.54	--------
2	5,000	10,492	7,660	322	2,292	2,614	34.13	5,046	153.20	73.01	100.92	48.09	5,000	5,492	109.84	43.36
3	14,500	17,437	4,138	248	--------	248	5.99	3,890	28.54	23.73	26.83	22.31	14,600	443	3.03	25.51
4	10,000	11,000	4,014	236	80	316	8.87	3,698	40.14	36.49	36.98	33.62	11,000	[1] 27,300	−248.18	288.32
5	300,000	307,828	95,778	4,424	22,029	26,453	27.62	69,325	31.93	31.12	23.11	22.52	150,000	100,577	67.05	--------
6	13,000	22,121	4,711	282	--------	282	5.99	4,429	36.24	21.30	34.07	20.02	13,000	7,811	60.08	--------
7	180,000	116,824	49,071	2,040	15,057	17,097	34.84	31,974	27.26	42.00	17.76	27.38	10,000	45.899	458.99	--------
8	50,000	55,253	11,338	624	936	1,560	13.76	9,778	22.68	20.52	19.56	17.70	50,000	5,186	10.37	12.31
9	10,000	182,659	31,867	1,749	2,619	4,368	13.71	27,499	318.67	17.41	274.99	15.05	10,000	110,611	1,106.11	--------
10	75,000	209,773	34,029	1,888	2,558	4,446	13.07	29,583	45.37	16.22	39.44	14.10	55,500	52,513	94.62	--------
11	10,000	6,695	4,761	241	735	976	20.50	3,785	47.61	71.11	37.85	56.53	9,500	1,206	12.69	34.92
12	50,000	320,530	183,523	6,745	70,678	77,423	42.19	106,100	367.05	57.26	212.20	33.06	50,000	298,898	597.80	--------
13	15,000	15,000	4,296	255	43	298	6.94	3,998	28.64	28.64	26.65	26.65	15,000	9,536	63.57	--------
14	1,791,200	1,870,632	695,776	30,203	192,390	222,593	31.99	473,183	38.84	37.19	26.42	25.29	1,791,200	1,026,344	57.30	--------
15	50,000	119,196	26,130	1,351	3,599	4,950	18.94	21,180	52.26	21.93	42.36	17.77	50,000	83,080	166.16	--------
16	9,500	9,500	8,828	347	3,041	3,388	38.38	5,440	92.93	92.93	57.26	57.26	10,000	[1] 664	−6.64	99.57
17	50,000	565,239	317,096	9,216	[2] 40,609	49,825	15.71	267,271	634.19	56.10	534.54	47.38	50,000	365,493	730.99	--------
18	25,000	194,178	64,870	2,294	[3] 7,510	9,804	15.10	55,066	259.50	33.41	220.26	28.36	25,000	64,819	259.28	.22
19	--------	20,680	3,310	198	--------	198	5.98	3,112	--------	16.01	--------	15.06	10,000	1,457	14.57	--------
20	350,000	540,614	104,785	5,513	12,892	18,405	17.56	86,380	29.94	19.38	24.68	15.98	300,000	210,932	70.31	--------
21	25,000	25,000	10,993	480	2,983	3,463	31.50	7,530	43.97	43.97	30.12	30.12	25,000	--------	--------	--------
22	10,000	10,697	12,429	436	5,144	5,580	44.90	6,849	124.29	116.19	68.49	64.03	10,000	31,472	314.72	--------
23	150,000	145,533	33,580	1,732	4,356	6,088	18.13	27,492	22.38	23.07	18.33	18.90	126,000	140,357	111.39	--------
24	188,000	223,435	48,366	2,494	6,793	9,287	19.20	39,079	25.73	21.65	20.79	17.99	188,000	43,467	23.12	2.61
25	50,000	55,644	18,531	881	3,841	4,722	25.47	13,809	37.06	33.30	27.62	24.82	7,900	18,916	239.44	--------
26	25,000	73,393	14,132	709	2,305	3,014	21.33	11,118	56.53	19.26	44.47	15.15	25,000	74,891	299.56	--------
27	10,000	25,749	4,834	289	8	297	6.14	4,537	48.34	18.77	45.37	17.62	10,000	4,989	49.89	--------
28	5,000	5,500	5,883	267	1,432	1,699	28.88	4,184	117.66	106.96	83.68	76.07	5,000	12,547	250.95	--------

29	20,000	20,000	6,042	330	539	869	14.38	5,173	30.21	30.21	25.87	25.87	20,000	6,837	34.19	----------
30	150,000	533,399	148,868	7,077	30,919	37,996	25.52	110,872	99.25	27.91	73.91	20.78	150,000	407,537	271.69	----------
31	30,000	8,655	7,804	320	2,467	2,787	35.71	5,017	26.01	90.17	16.72	57.97	10,000	262	2.62	23.39

[1] Loss.

[2] 4 months.

[3] 6 months.

CODE C-7

Name of corporation	City and state	Serial number	Name of corporation	City and State	Serial number
1. Bay State Chemical Co	Boston, Mass	1751942	17. Southern Extract Co	Knoxville, Tenn	55751421
2. The Nassau Manufacturing Co	Bristol, R. I	8751108	18. Monroe Drug Co	Quincy, Ill	28750652
3. The Buckeye Extract Co	Olympia, Wash	45751277	19. Wm. E. Jordan, Inc	New York, N. Y	2753839
4. United States Dye Extracts Co., Inc	Long Island City, N. Y	4750672	20. Newport Chemical Works	Milwaukee, Wis	32752138
5. Smithport Extract Company	Damascus, Va	18750640	21. Atlas Color Works, Inc	Brooklyn, N. Y	4750058
6. Akron Pigment Co	Akron, Ohio	23752319	22. American Tar Products Co. of Mo	Chicago, Ill	26750093
7. Amalgamated Dyestuffs & Chemical Works	New York, N. Y	2752494	23. A. De Ronde & Co	New York, N. Y	2751019
8. Dy-O-La Dye Company	Des Moines, Iowa	35750983	24. Chatfield Mfg. Co	Cincinnati, Ohio	20750844
9. Atlas Chemical Company	Waltham, Mass	1751931	25. Stresen-Reuter & Hancock, Inc	Chicago, Ill	26750038
10. General Processing Co	Philadelphia, Pa	12751624	26. Hoffman Kropff Chemical Co	Brooklyn, N. Y	4750156
11. Trico Chemical Co., Inc	Buffalo, N. Y	7750288	27. F. E. Atteaux & Co. of Illinois	Chicago, Ill	26752978
12. Watauga Extract Company	Elizabethton, Tenn	55750979	28. Neponset Color Co	Boston, Mass	1750222
13. W. B. Wood Co	St. Louis, Mo	36751314	29. Angel Dainty Dye Co	Chicago, Ill	26750118
14. The Harshaw Fuller & Goodwin Co	Elyria, Ohio	23750663	30. J. S. Young & Co	Hanover, Pa	13750703
15. Commonwealth Color & Chemical Co	Brooklyn, N. Y	4750052	31. Agawan Chemical Works	Providence, R. I	8750139
16. Catalytic Chemical Co	Berkley, Calif	47751408			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: OILS, VEGETABLE AND ANIMAL, INCLUDING SEEDCAKE

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the per cent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE C-9																
1	$40, 000	$74, 015	$19, 449	$703	$1, 884	$2, 587	13. 30	$16, 862	48. 62	26. 28	42. 16	22. 78	$40, 000	$9, 207	23. 02	25. 60
2	45, 000	52, 528	96, 698	371	[1] 1, 889	2, 260	2. 34	94, 438	214. 88	184. 09	209. 86	179. 79	45, 000	[2] 2, 950	−6. 56	221. 44
3	99, 300	87, 216	21, 509	1, 101	3, 154	4, 255	19. 78	17, 254	21. 66	24. 66	17. 38	19. 78	24. 300	----------	----------	----------
4	25, 000	27, 271	18, 608	674	7, 360	8, 034	43. 17	10, 574	74. 43	68. 23	42. 30	38. 77	25, 000	4, 059	16. 24	58. 19
5	25, 000	26, 191	5, 690	329	194	523	9. 19	5, 167	22. 76	21. 73	20. 67	19. 73	25, 000	[3] 1, 191	4. 76	18. 00
6	342, 900	356, 784	212, 708	7, 710	84, 200	91, 910	43. 21	120, 798	62. 03	59. 62	35. 23	33. 86	342, 900	34, 290	10. 00	52. 03
7	40. 000	115, 007	18, 195	818	[4] 4, 559	5, 377	29. 55	12, 818	45. 49	15. 82	32. 05	11. 15	40, 000	[2] 2, 891	−7. 28	52. 77
8	20, 000	27, 120	9, 225	448	1, 747	2, 195	23. 79	7, 030	46. 13	34. 02	35. 15	25. 92	20. 000	14, 380	71. 90	----------
9	30, 000	128, 997	30, 686	1, 584	4, 270	5, 854	19. 08	24, 832	102. 29	23. 79	82. 77	19. 25	30, 000	15, 909	53. 03	49. 26
10	100, 000	109, 787	41, 988	1, 530	[1] 6, 660	8, 190	19. 51	33, 798	41. 99	38. 24	33. 80	30. 79	100, 000	39, 732	39. 73	2. 26
11	40, 000	205, 967	98, 365	3, 879	33, 703	37, 582	38. 21	60, 783	245. 91	47. 76	151. 96	29. 51	40, 000	36, 084	90. 21	155. 70
12	22, 000	627, 689	304, 042	11, 852	106, 502	118, 354	38. 93	185, 688	1, 382. 01	48. 44	844. 04	29. 58	22, 000	257, 465	1, 170. 30	211. 71
13	45, 000	87, 964	26, 161	1, 250	5, 322	6, 572	25. 12	19, 589	58 14	29. 74	43. 53	22. 27	45, 000	32, 477	72. 17	----------
14	18, 000	26, 849	7, 778	406	1, 005	1, 411	18. 14	6, 367	43. 21	28. 97	35. 37	23. 71	18, 000	[5] 6, 763	37. 57	5. 64
15	52, 000	55, 445	82, 543	2, 424	42, 134	44, 558	53. 98	27, 985	158. 74	148. 87	73. 05	68. 51	50, 500	17, 295	34. 24	124. 50
16	7, 000	96, 073	41, 016	1, 712	12, 481	14, 193	34. 60	26, 823	585. 94	42. 69	383. 19	27. 92	7, 000	30, 919	441. 70	144. 24
17	15, 000	18, 000	4, 218	253	----------	253	6. 00	3, 965	28. 12	23. 43	26. 43	22. 03	15, 000	1, 037	6. 91	21. 21
18	43, 850	43, 850	22, 366	883	7, 645	8, 528	38. 13	13, 838	51. 01	51. 01	31. 56	31. 55	43, 850	4, 261	9. 72	41. 29
19	200, 000	627, 008	118, 097	6, 309	12, 935	19, 244	16. 30	98, 853	59. 05	18. 84	49. 43	15. 77	200, 000	110, 456	55. 23	3. 82
20	75, 000	104, 820	28, 715	1, 426	4, 932	6, 358	22. 14	22, 357	38. 29	27. 39	29. 81	21. 33	11, 300	21, 622	191. 35	----------
21	20, 000	130, 028	46, 799	2, 095	11, 876	13, 971	29. 85	32, 828	234. 00	35. 99	164. 14	25. 25	20, 000	69, 027	345. 14	----------
22	25, 000	38, 905	7, 194	409	362	771	10. 72	6, 423	28. 78	18. 49	25. 69	16. 51	15, 000	11, 432	76. 21	----------
23	50, 000	48, 254	9, 104	513	545	1, 058	11. 62	8. 046	18. 21	18. 87	16. 09	16. 67	50, 000	11, 400	22. 80	----------
24	50, 000	44, 308	8, 924	494	684	1, 178	13. 20	7, 746	17. 85	20. 14	15. 49	17. 48	30, 000	4, 383	14. 61	3. 24
25	97, 000	248, 070	4, 035	242	----------	242	6. 00	3. 793	4. 16	1. 63	3. 91	1. 53	97, 000	25, 195	25. 97	----------
26	15, 000	47, 531	10, 818	588	1, 016	1, 604	14. 83	9, 214	72. 12	22. 76	61. 43	19. 38	15, 000	[2] 93	−. 62	72. 74
27	35, 000	53, 163	16, 557	794	3, 315	4, 109	24. 82	12, 448	47. 31	31. 14	35. 57	23. 41	35, 000	5, 251	15. 00	32. 31
28	10, 000	71, 341	18, 346	943	2, 626	3, 569	19. 45	14, 777	183. 46	25. 72	147. 77	20. 71	10, 000	4, 705	47. 05	136. 41
29	50, 000	90, 372	21, 170	1, 086	3, 059	4, 145	19. 58	17, 025	42. 34	23. 43	34. 05	18. 84	50, 000	51, 315	102. 63	----------
30	90, 000	100, 000	15, 770	898	792	1, 690	10. 72	14, 080	17. 52	15. 77	15. 64	14. 08	90, 000	19, 204	21. 34	----------
31	25, 000	31, 710	34, 945	1, 093	[1] 9, 721	10, 814	30. 95	24, 131	139. 78	110. 20	96. 52	76. 10	25, 000	34, 694	138. 78	1. 00

32	80, 000	96, 143	13, 893	795	640	1, 435	10. 33	12, 458	17. 37	14. 45	15. 57	12. 96	80, 000	4, 085	5. 11	12. 26
33	36, 000	57, 372	7, 513	445	99	544	7. 24	6, 969	20. 87	13. 10	19. 36	12. 15	36, 000	433	1. 20	19. 67
34	50, 000	65, 866	9, 668	542	28	570	6. 29	8, 498	18. 14	13. 77	17. 00	12. 90	50, 000	8, 272	16. 54	1. 60
35	120, 000	127, 834	21, 360	875	[1] 1, 161	2, 036	9. 53	19, 324	17. 80	16. 71	16. 10	15. 12	120, 000	9, 368	7. 81	9. 99
36	50, 000	82, 553	17, 926	650	[6] 1, 562	2, 212	7. 92	25, 714	55. 85	33. 83	51. 43	31. 15	50, 000	27, 926	55. 85	----------
37	240, 000	362, 149	55, 008	2, 285	[1] 2, 285	4, 570	8. 31	50, 438	22. 92	15. 19	21. 02	13. 93	240, 000	55, 009	22. 92	----------
38	200, 000	200, 000	31, 930	1, 784	2, 186	3, 970	12. 43	27, 960	15. 96	15. 96	13. 98	13. 98	59, 000	57, 647	97. 71	----------
39	125, 000	152, 935	76, 468	2, 520	[7] 13, 464	15, 984	20. 90	60, 484	61. 17	50. 00	48. 39	39. 55	125, 000	76, 469	61. 18	----------
40	19, 100	44, 027	22, 026	883	[8] 2, 438	3, 321	15. 08	18, 705	115. 32	50. 03	97. 93	42. 49	44, 027	22, 007	49. 99	65. 33
41	40, 000	120, 650	20, 487	855	[9] 1, 286	2, 141	10. 45	18, 346	51. 22	16. 98	45. 86	15. 21	40, 000	20, 487	51. 22	----------
42	50, 000	345, 600	99, 315	4, 934	17, 069	22, 008	22. 15	77, 312	198. 63	28. 79	154. 62	22. 41	50, 000	33, 087	66. 17	132. 46
43	37, 000	62, 934	11, 785	488	[1] 508	996	8. 45	10, 789	31. 85	18. 73	29. 16	17. 14	37, 000	1, 524	4. 12	27. 73
44	50, 000	440, 446	363, 573	10, 814	[10] 68,620	79, 434	21. 85	284, 139	727. 15	82. 55	568. 28	64. 51	50, 000	357, 868	715. 74	11. 41
45	275, 000	251, 589	104, 105	3, 836	6, 950	10, 786	10. 36	93, 319	37. 86	41. 38	33. 93	37. 09	200, 000	36, 789	18. 39	19. 47
46	40, 000	48, 671	8, 577	307	[10] 166	473	5. 51	8, 104	21. 44	17. 62	20. 26	16. 65	40, 000	8, 577	21. 44	----------
47	97, 000	97, 000	24, 870	919	[7] 1, 876	2, 795	11. 24	22, 075	25. 64	25. 64	22. 76	22. 76	97, 000	24, 870	25. 64	----------

[1] 7 months. [2] Loss. [3] 9½ months. [4] 4 months. [5] 11 months. [6] 3 months. [7] 6 months. [8] months. [9] 8 months. [10] 5 months.

CODE C-9

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Planters Oil Mills	Tunica, Miss	61751207	25. Farmers Cotton Oil Co	Wilson, N. C	56750095
2. Natchitoches Cotton Oil Co., Ltd	Natchitoches, La	62750803	26. Honea Path Oil Mill	Honea Path, S. C	58750847
3. Neptune Fisheries Co	Wilmington, N. C	56750632	27. Morton Oil Mills	Millen, Ga	59751487
4. Chemical Specialties Co	Jersey City, N. J	11756459	28. Iowa Oil Co	Dubuque, Iowa	35750676
5. The Essential Oil Specialities Co., Inc	Grassland, Pa	12751175	29. Beaufort Fish Scrap & Oil Co	New Bern, N. C	56750230
6. C. E. Davis Packing Co., Inc	Fleeton, Va	17750128	30. Edwards & Reed Co	Reedville, Va	17750138
7. Tallulah Cotton Oil Co	Tallulah, La	62751005	31. Gulf Valley Cotton Oil Co., Ltd	New Orleans, La	62750565
8. Wilmington Oil & Refining Co	Wilmington, Del	16751453	32. Mineola Cotton Oil Co	Mineola, Tex	44750189
9. Home Oil Mill	Albany, Ala	61750307	33. Shelby Oil Co	Shelby, Miss	61751211
10. Arcadia Cotton Oil Mill & Mfg. Co	Arcadia, La	62750221	34. H. K. Stahl Co	St. Paul, Minn	34750517
11. N. B. Cook Oil Co	New York, N. Y	2752130	35. The Lamar Cotton Oil Co	Paris, Tex	44751649
12. Tenn. Fibre Co	Memphis, Tenn	55751549	36. Blossom Oil & Cotton Co	Blossom, Tex	44750538
13. Chicago Heights Oil Mfg. Co	Chicago, Ill	26750968	37. Terrell Cotton Oil Co	Terrell, Tex	44752886
14. H. C. Harding, Inc	Philadelphia, Pa	12752025	38. Memphis Cotton Oil Co	Memphis, Tex	44752701
15. Reedville Oil & Guano Co., Inc	Reedville, Va	17750394	39. Mutual Cotton Oil Co	Fort Worth, Tex	44752708
16. The White & Bagley Co	Worcester, Mass	1750358	40. Mt. Colen Cotton Seed Oil Co	Mt. Colen, Tex	44752702
17. Calmont Co	New York, N. Y	2751798	41. Granbury Cotton Oil Co	Granbury, Tex	44751360
18. Milford Fish Oil & Fertilizer Co	Milford, Del	16751621	42. Landa Cotton Oil Co	New Braunfels, Tex	44751656
19. A. M. Todd Co	Kalamazoo, Mich	31750075	43. Patrick Oil Co	Conyers, Ga	59751075
20. National Oil Products	Harrison, N. J	11757079	44. Southport Mill, Ltd	New Orleans, La	62750974
21. The Geo. E. Sherman Co., Inc	Brooklyn, N. Y	4750246	45. Compagnie Morana	New York, N. Y	3750669
22. Headley Good Roads Co	Philadelphia, Pa	12750365	46. Hoke Oil & Fertilizer Co	Raeford, N. C	56750720
23. Haggerty Refining Co	New York, N. Y	2751074	47. Hamilton Cotton Oil Co	Bossier City, La	62751122
24. The Kentucky Independent Oil Co., Inc	Covington, Ky	52750077			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: PAINTS AND VARNISHES

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE C-10																
1	$32,000	$36,311	$7,694	$435	$430	$865	11.24	$6,829	24.04	21.19	21.34	18.81	$32,000	$4,030	12.59	11.45
2	15,000	35,820	11,626	568	2,153	2,721	23.40	8,905	77.51	32.45	59.37	24.86	10,000	8,439	84.39	------
3	15,000	28,325	4,450	267	------	267	6.00	4,183	29.67	15.71	27.89	14.77	15,000	7,601	50.67	------
4	38,000	74,676	18,935	935	[1] 2,434	3,369	17.79	15,566	49.83	25.36	40.96	20.84	38,000	20,676	54.41	------
5	25,000	44,002	9,534	529	717	1,246	13.07	8,288	38.14	21.67	33.15	18.84	25,000	6,402	25.61	12.53
6	39,500	44,228	17,506	769	4,675	5,444	31.10	12,062	44.32	39.58	30.54	27.27	39,000	4,254	10.91	33.41
7	180,000	317,964	88,310	4,294	16,723	21,017	23.80	67,293	49.06	27.77	37.39	21.16	180,000	127,080	70.60	------
8	975,000	2,625,001	931,611	40,943	249,223	290,166	31.15	641,445	95.55	35.49	65.79	24.43	1,000,000	297,023	29.70	65.85
9	100,000	151,351	23,812	1,320	1,796	3,116	13.09	20,696	23.81	15.73	20.70	13.67	99,500	23,773	23.89	------
10	200,000	118,916	25,338	1,320	3,333	4,653	18.36	20,685	12.67	21.31	10.34	17.39	200,000	8,802	4.40	8.27
11	12,000	26,695	37,083	1,116	18,443	19,559	52.74	17,524	309.03	138.91	146.03	65.65	12,000	7,073	58.93	250.10
12	91,850	132,091	21,525	1,206	1,412	2,618	12.16	18,907	23.43	16.30	20.58	14.31	76,500	19,509	25.50	------
13	50,000	87,245	16,722	820	3,066	3,886	23.24	12,836	33.44	19.17	25.67	14.71	50,000	17,279	34.56	------
14	100,000	209,732	107,388	4,077	[1] 35,433	39,510	36.79	67,878	107.39	51.20	67.88	32.36	100,000	96,458	96.46	10.93
15	100,000	263,015	59,089	2,995	9,166	12,161	20.59	46,928	59.09	22.47	46.93	17.84	100,000	49,122	49.12	9.97
16	62,500	61,673	17,722	881	3,026	3,907	22.05	13,815	28.36	28.74	22.10	22.40	62,000	11,149	17.98	10.38
17	10,000	13,317	5,252	275	662	937	17.85	4,315	52.52	39.44	43.15	32.40	7,500	5,490	73.20	------
18	2,000	32,000	8,595	448	1,117	1,565	18.20	7,030	429.75	26.86	351.50	21.97	1,000	5,581	558.10	------
19	180,000	704,901	112,230	5,563	[2] 7,915	13,478	12.01	98,752	62.35	15.92	54.86	14.01	180,000	115,791	64.33	------
20	140,000	204,873	34,627	1,919	[1] 2,637	4,556	13.16	30,071	24.73	16.90	21.48	14.68	140,000	44,200	31.57	------
21	10,000	55,892	16,553	808	[1] 2,287	3,095	18.70	13,458	165.53	29.61	134.58	24.07	10,000	23,261	232.61	------
22	17,500	955,398	232,548	11,713	37,321	49,034	21.08	183,514	1,328.84	24.34	1,048.65	19.21	17,500	184,229	1,052.74	276.10
23	50,000	54,584	24,000	998	7,359	8,357	34.82	15,643	48.00	43.99	31.29	28.66	------	50,000	------	------
24	216,450	258,854	47,436	2,504	5,693	8,197	17.28	39,239	21.92	18.33	18.13	15.15	216,450	66,334	30.65	------
25	100,000	107,698	18,169	1,018	1,196	2,214	12.19	15,955	18.17	16.87	15.96	14.81	100,000	7,065	7.06	11.11
26	5,000	5,028	3,377	202	------	202	5.98	3,175	67.54	67.16	63.50	63.15	5,000	2,902	58.04	9.50
27	9,900	23,915	4,766	285	------	285	5.98	4,481	48.14	19.93	45.26	18.73	9,900	875	8.83	39.31
28	25,205	32,177	6,010	358	28	386	6.42	5,624	23.84	18.68	22.31	17.47	25,205	3,185	12.64	11.20
29	50,000	70,493	21,010	1,010	4,166	5,176	24.64	15,834	42.02	29.80	31.67	22.46	50,000	6,334	12.67	29.35
30	250,000	305,041	66,919	3,478	8,942	12,420	18.56	54,499	26.77	21.94	21.80	17.86	250,000	77,829	31.13	------

31	40,000	51,145	15,181	753	2,625	3,378	22.24	11,803	37.95	29.66	29.51	23.08	40,000	40,684	101.71	
32	115,000	205,572	73,923	3,290	19,085	22,375	30.27	51,548	64.28	35.96	44.82	25.07	115,000	78,880	69.59	
33	100,000	112,794	22,012	1,198	2,026	3,224	14.65	18,788	22.01	19.52	18.79	16.66	100,000	19,473	19.47	2.54
34	45,400	73,538	25,166	1,168	5,675	6,843	27.19	18,323	55.43	34.22	40.36	24.92	45,400	20,092	44.26	11.17
35	45,000	241,075	115,438	4,513	40,216	44,729	38.75	70,709	256.53	47.88	157.13	29.33	45,000	126,688	281.53	
36	21,510	21,510	11,040	462	3,329	3,791	34.37	7,249	51.32	51.32	33.70	33.70	21,510	[3] 2,566	−11.93	63.25
37	57,200	179,353	47,239	2,436	6,625	9,061	19.18	38,178	82.59	26.33	66.74	21.28	57,200	8,482	14.83	67.76
38	1,400,000	1,249,032	421,721	18,850	107,545	126,395	29.97	295,326	30.12	33.76	21.09	23.64	1,400,000	380,583	27.18	2.94
39	579,000	584,723	135,543	6,918	20,235	27,153	20.02	108,390	23.41	23.18	18.72	18.54	575,000	149,473	26.00	
40	70,000	70,000	28,475	1,233	8,085	9,308	32.69	19,167	40.68	40.68	27.38	27.38	70,000	33,132	47.33	
41	100,000	91,128	35,193	1,513	9,945	11,458	32.56	23,735	35.19	38.61	23.74	26.05	45,000	27,216	60.48	
42	100,000	148,532	43,172	2,012	[1] 7,659	9,671	22.40	33,501	43.17	29.06	33.50	22.55	100,000	51,026	51.03	
43	4,300	7,759	4.237	220	370	590	13.92	3,647	98.53	54.61	84.81	47.00	4,300	1,953	45.43	53.10
44	25,000	40,969	7,091	419	101	520	7.33	6,571	28.36	17.31	26.28	16.04	25,000	7,760	31.04	
45	100,000	109,454	23,013	1,231	2,474	3,705	16.10	19,308	23.01	21.02	19.31	17.64	40,000	27,544	68.86	
46	300,000	750,868	158,767	8,278	20,804	29,082	18.32	129,685	52.92	21.14	43.23	17.27	300,000	274,166	91,39	
47	2,994	9,144	6,549	291	1,690	1,981	30.25	4,568	218.74	71.62	152.57	49.96	2,994	11,204	374.22	
48	250,000	394,272	87,585	4,583	11,190	15,773	18.01	71,812	35.03	22.21	28.72	18.21	250,000	119,033	47.61	
49	100,000	117,268	21,486	1,182	1,781	2,963	13.79	18,523	21,49	18,32	18.52	15.80	100,000	19,297	19.30	2.19
50	14,000	26,333	7,538	401	854	1,255	16.65	6,283	53.84	28.62	44.88	23.86	14.000	3,856	27.54	26.30
51	300,000	574,753	137,489	6,966	21,370	28,336	20.61	109,153	45.83	23.92	36.38	18.99	300,000	194,091	64.70	
52	184,500	250,363	93,900	4,092	25,696	29,788	31.72	64,112	50.89	37.51	34.75	25.61	184,500	78,658	42.63	8.27
53	150,000	190,520	37,058	1,862	[1] 4,187	6,049	16.32	31,009	24.70	19.45	20.67	16.28	150,000	19,639	13.09	11.61
54	10,000	15,298	5,088	276	463	739	14.52	4,349	50.88	33.26	43.49	28.43	10,000	2,317	23.17	27.71
55	125,000	194,695	36,616	1,958	3,979	5,937	16.21	30,679	29.29	18.80	24.54	15.76	125.000	138,675	110.94	
56		25,000	5,044	299	77	376	7.45	4,668		20.18		18.67	4,800	6,147	128.06	
57	9,900	89,948	37,260	1,577	10,962	12,539	33.65	24,721	276.36	41.72	249.71	27.48	9,900	37,677	380.58	
58	20,000	20,000	3,309	198		198	5.98	3,111	16.54	16.54	15.55	15.55	20,000	[3] 4,015	−20.07	36.61
59	50,000	75,472	12,653	699	1,010	1,709	13.51	10,944	25,31	16.76	21.89	14.50	50.000	16,930	33.86	
60	50,000	82,393	37,743	1,544	11,994	13,538	35.87	24,205	75.49	45.81	48.41	29.38	50,000	26,095	52.19	23.30
61	15,000	15,000	5,748	295	816	1,111	19.33	4.637	38.32	38.32	30.91	30.91	14,700	8,641	58.78	
62	18,000	18,665	3,142	187		187	5.95	2,955	17,46	16.83	16.42	15.83	18,000	975	5.42	12.04
63	1,000,000	1,396,466	206,550	11,453	15,537	26,990	13.07	179,560	20.66	14.80	17.96	12.86	1,000,000	327,469	32.75	
64	1,750,000	2,066,856	410,005	21,634	49,051	70,685	17.24	339.320	23.43	19.84	19.39	16.42	1,000.000	461,287	46.13	
65		50,568	6,369	382		382	6.00	5,987		12.59		11.84	2.000	9,616	480.80	
66	40,000	72,915	22,049	1,054	4,473	5,527	25.07	16,522	55.12	30.24	41.31	22.66	40,000	19,843	49.61	5.51
67	15,000	15,000	3,630	205		205	5.65	3,425	24.20	24.20	22.83	22.83	9,000	3,600	40.00	
68	25,000	29,755	4,245	254		254	5.98	3,991	16.98	14.27	15.96	13.41	25,000	8,174	32.70	
69	50,000	128,418	14,709	880	30	910	6.19	13,799	29.42	11.45	27.60	10.75	50,000	12,661	25.32	4.10
70	25,000	38,576	13,347	636	2,745	3,381	25.33	9,966	53.39	34.60	39.86	25.83	25,000	9,991	39.96	13.43
71	100,000	129,847	20,350	1,150	1,176	2,326	11.43	18,024	20.35	15.67	18.02	13.88	100,000	46,290	46.29	
72	20,000	20,000	4,849	285	97	382	7.88	4,467	24.25	24.25	22.34	22.34	([4])	([4])	([4])	([4])
73	25,000	111,864	58,703	2,250	21,198	23,448	39.94	35,255	234.81	52.48	141.02	31.52	125,000	62,166	49.73	185.08
74	25,000	131,628	27,328	1,394	[1] 2,728	4,122	15.08	23,206	109.31	20.76	92.82	17.63	25,000	36,259	145.04	
75	5,000	135,097	32,850	1,685	4,750	6,435	19.59	26,415	657.00	24.32	528.30	19.55	5,000	37,860	757.20	
76	33,000	32,246	5,542	332		332	5.99	5,210	16.79	17.19	15.79	16.16	19,600	7,912	40.37	
77	125,000	118,388	22,371	1,222	1,988	3,210	14.34	19,161	17.90	18.90	15.33	16.18	125,000	37,638	30.11	
78	15,000	21,102	3,232	193		193	5.97	3,039	21,55	15.32	20.26	14.40	15,000	1,014	6.76	14.79
79	100,000	212,828	17,263	1,018		1,018	5.90	16,245	17.26	8.11	16.25	7.63	100,000	14,416	14.42	2.84
80	14,840	75,944	4,454	267		267	5.99	4,187	30.01	5.86	28.21	5.51	14,840	2,624	17.68	12.33

[1] 11 months.

[2] 10 months.

[3] Loss.

[4] Not in business in 1916.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: PAINTS AND VARNISHES—Continued

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE C-10—continued																
81	$21,750	$35,392	$6,478	$380	$130	$510	7.87	$5,968	29.78	18.30	27.44	16.86	$17,500	$9,220	52.69	
82	200,000	209,028	42,312	2,153	[1] 4,307	6,460	15.27	35,852	21.16	20.24	17.93	17.15	200,000	13,643	6.82	14.34
83	44,000	56,633	7,764	465		465	5.99	7,299	17.65	13.71	16.59	12.89	40,000	11,256	28.14	
84	80,000	147,574	21,261	1,236	995	2,231	10.49	19,030	26.58	14.41	23.79	12.90	80,000	25,476	31.85	
85	16,000	74,092	9,416	564		564	5.99	8,852	58.85	12.81	55.33	11.95	16,000	15,668	97.93	
86	25,000	45,235	5,070	285		285	5.62	4,785	20.28	11.21	19.14	10.58	25,000	5,444	21.78	
87	10,000	47,576	5,593	335		335	5.99	5,258	55.93	11.71	52.58	11.05	10,000	4,521	45.21	10.72
88	100,000	169,552	20,639	1,209	476	1,685	8.16	18,954	20.64	12.17	18.95	11.18	100,000	29,775	29.78	
89	45,000	59,482	7,513	443	113	556	7.40	6,957	16.70	12.63	15.46	11.70	45,000	17,512	38.92	
90	25,000	52,003	18,371	850	4,038	4,888	26.61	13,483	73.48	35.33	53.93	25.93	25,000	39,058	156.23	
91	18,500	30,136	3,833	230		230	6.00	3,603	20.72	12.72	19.48	11.96	18,500	5,084	27.48	
92	150,000	253,414	28,747	1,629	1,601	3,230	11.21	25,517	19.16	11.34	17.01	10.07	150,000	31,899	21.27	
93	10,000	22,027	8,321	335	1,885	2,220	26.68	6,101	83.21	37.78	61.01	27.70	10,000	12,027	120.27	
94	105,400	339,663	55,060	2,884	4,111	6,995	12.70	48,065	52.24	16.21	45.60	14.15	106,700	91,127	85.40	
95	14,900	10,185	11,281	393	4,162	4,555	40.38	6,726	75.71	110.76	45.14	66.04	2,500	[3] 2,006	−80.24	155.95

[1] 11 months.

[3] Loss.

CODE C-10

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Jamestown Wood Finishing Co.	Jamestown, N. Y.	7750859	49. The National Retarder Co.	Chicago, Ill.	26753300
2. American Asphalt Paint Co., Inc.	New York, N. Y.	3750647	50. The Postal Paint & Color Co.	Cleveland, Ohio	23751177
3. The George H. Shaw Co.	Middleborough, Mass.	1750141	51. Nubian Paint & Varnish Co.	Chicago, Ill.	26752730
4. Louisville Paint Mfg. Co.	Louisville, Ky.	51750212	52. Forbes Varnish Co.	West Park, Ohio	23751967
5. The Klein Mfg. Co.	Cleveland, Ohio	23751823	53. Waggener Paint & Glass Co.	Kansas City, Mo.	37751857

6. Grand Rapids Varnish Co	Grand Rapids, Mich	31750214
7. Louisville Lead and Color Co	Louisville, Ky	51750195
8. Marx & Rowelle, Inc	New York, N. Y	4750436
9. Mathews Paint Co., Inc	Los Angeles, Calif	48750444
10. Harrison Bros. Co., Inc	Chicago, Ill	26753453
11. Peterson Core Oil & Mfg. Co	Chicago, Ill	26752067
12. Evansville Paint & Varnish Co	Evansville, Ind	25750354
13. American Marine Paint Co	San Francisco, Calif	47750047
14. Carpenter-Morton Co	Boston, Mass	1753128
15. Rasmussen & Co	Portland, Oreg	46750674
16. The Debevoise Co	Brooklyn, N. Y	4750336
17. Great Western Paint Mfg. Co	Kansas City, Mo	37750689
18. The Peckham Mfg. Co	Newark, N. J	11757250
19. Minnesota Linseed Oil Paint Co	Minneapolis, Minn	34750750
20. Grand Rapids Wood Finishing Co	Grand Rapids, Mich	31750235
21. A. R. Haeuser Co	New York City, N. Y	2751339
22. Celluloid Zapon Co	Stamford, Conn	8750432
23. The Gibson Homans Co	Cleveland, Ohio	23750182
24. The Akron Varnish Co	Akron, Ohio	23750193
25. The Blackburn Varnish Co	Cincinatti, Ohio	20750598
26. Peerless Paint & Glass Co	Kansas City, Mo	37751552
27. Belknap, Moran, Allen Co., Inc	Brooklyn, N. Y	4750083
28. The Neptune Paint Co	Hudson, Mich	30750046
29. The Arlington Manufacture Co	Canton, Ohio	23751928
30. Pecora Paint Co., Inc	Philadelphia, Pa	12751052
31. The Crescent Paint & Mfg. Co	Cleveland, Ohio	23752450
32. Enterprise Paint Mfg. Co	Chicago, Ill	26751143
33. John L. Armitage & Co	Newark, N. J	11756181
34. The Anglo-American Varnish Co	Newark, N. J	11756179
35. E. S. Parks Shellac Co	Fall River, Mass	1750914
36. The Biturine Co	San Francisco, Calif	47750188
37. Colonial Works	Brooklyn, N. Y	4750108
38. Flint Varnish & Color Works	Flint, Mich	30750893
39. Tropical Paint & Oil Co	Cleveland, Ohio	23751622
40. Stewart Mowry Co	Chicago, Ill	26750498
41. Kasebier Chatfield Shellac Co	New York, N. Y	2750643
42. Jones & Dillingham, Inc	Spokane, Wash	45751394
43. The Master Mechanics Co	Cleveland, Ohio	23751677
44. Sunset Paint Co	Los Angeles Calif	48750924
45. The Thibant & Walker Co	Long Island City, N. Y	4750533
46. The A. Wilhelm Co	Reading, Pa	12751781
47. Regal Paint & Oil Co	Pittsburg, Pa	15750515
48. M. B. Snydam Co	Pittsburg, Pa	1575052
54. Sterling Paint Co	San Francisco, Calif	47752915
55. Midland Chemical Co	Chicago, Ill	26751963
56. The Bloomfield Chemical Co	Harrison, N. J	11756261
57. Pruett Schaffer Chemical Co	Pittsburg, Pa	15752552
58. Seidlitz Varnish Co	Kansas City, Mo	37751661
59. Sargent Paint Co	Indianapolis, Ind	24750946
60. Advance Paint Co	Indianapolis, Ind	24751214
61. American Paint & Supply Co	Dallas, Tex	44750462
62. Missouri Paint & Varnish Co	St. Louis, Mo	36751526
63. Patton Paint Co	Milwaukee, Wis	32752171
64. Pratt & Lambert, Inc	Buffalo, N. Y	7750748
65. Liberty Paint Co., Inc	Long Island City, N. Y	4750420
66. Tibbitts-Oldfield Co	Los Angeles, Calif	48750932
67. Flint Paint Specialty Works	Flint, Mich	30501970
68. Rabok Mfg. Co	St. Louis, Mo	36750862
69. A. Robbins Varnish Co	St. Louis, Mo	36750857
70. Otley Paint Mfg. Co	Chicago, Ill	26753561
71. The Thresher Varnish Co	Dayton, Ohio	20750682
72. Nelson-Zarp Paint Co	Omaha, Nebr	39750786
73. The Sanitation & Supply Co	New York, N. Y	3752291
74. Phelan-Faust Paint Mfg. Co	St. Louis, Mo	36751696
75. G. J. Nikolast Co	Chicago, Ill	26753818
76. C. M. Walter Co	Dayton, Ohio	20750479
77. Amalgamated Paint Co	New York, N. Y	2750503
78. L. Tredennick Paint Co	Meriden, Conn	8752270
79. The Westmorland Chemical Color Co	Philadelphia, Pa	12750065
80. Pontiac Varnish Co	Pontiac, Mich	30501494
81. The Gilbert Spruance Co	Philadelphia, Pa	12750485
82. The Columbus Varnish Co	Columbus, Ohio	22750717
83. Indianapolis Varnish Co	Indianapolis, Ind	24750693
84. Oliver Johnson & Co., Inc	Providence, R. I	8750896
85. Atlantic Varnish Works, Inc	Richmond, Va	17750560
86. The Vaughan Paint Co	Cleveland, Ohio	23750546
87. Chattanooga Paint Co	Chattanooga, Tenn	55750385
88. Yarnall Paint Co	Philadelphia, Pa	12750024
89. Ellis Paint Co	Butte, Mont	41750586
90. The Garland Co	Cleveland, Ohio	23752452
91. Pyramid Paint Co	Philadelphia, Pa	12752882
92. Red Hand Composition Co., Inc	New York, N. Y	2750814
93. Johnson Paint Co	Atlanta, Ga	59751269
94. Sewall Paint & Glass Co	Kansas City, Mo	37751855
95. Geo. R. Unkefer Co	Chicago, Ill	26754197

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: PETROLEUM REFINING (PRODUCTS AND BYPRODUCTS)

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE C-12																
1	$15,695	$35,360	$7,127	$402	$418	$820	11.51	$6,307	45.41	20.16	40.18	17.84	$20,000	$4,057	20.29	25.12
2	351,900	604,480	143,024	7,549	17,198	24,747	17.30	118,277	40.64	23.66	33.61	19.57	351,300	111,730	31.80	8.84
3	483,000	265,264	86,326	3,942	20,595	24,537	28.42	61,789	17.87	32.54	12.79	23.29	100,000	16,507	16.51	1.36
4	25,000	135,977	40,280	1,940	7,940	9,880	24.53	30,400	161.12	29.62	121.60	22.36	25,000	18,069	72.28	88.84
5	25,000	29,471	6,972	394	403	797	11.43	6,175	27.89	23.66	24.70	20.95	25,000	4,471	17.88	10.01
6	1,725,000	1,990,484	413,912	21,612	53,702	75,314	18.20	338,598	23.99	20.79	19.63	17.01	1,000,000	104,956	10.50	13.49
7	75,000	283,051	59,574	3,132	7,372	10,504	17.63	49,070	79.43	21.05	65.43	17.34	75,000	56,486	75.31	4.12
8	14,009	42,320	17,337	532	8,455	8,987	51.84	8,350	123.76	40.97	59.60	19.73	25,000	14,295	57.18	66.08
9	30,000	265,487	105,340	4,443	31,277	35,720	33.91	69,620	351.13	39.68	232.07	26.22	30,000	7,157	23.86	327.27
10	150,000	162,102	59,613	2,633	15,715	18,348	30.78	41,265	39.74	36.77	27.51	25.46	150,000	28,840	19.23	20.51
11	87,800	169,356	51,661	2,436	11,046	13,482	26.10	38,179	58.84	30.50	43.48	22.54	87,800	65,267	74.34	
12	200,000	306,673	536,828	15,091	285,309	300,400	55.96	236,428	268.41	175.04	118.21	77.09	200,000	185,103	92.55	175.86
13	8,500	8,812	4,794	248	653	901	18.79	3,893	56.40	54.40	45.80	44.18	8,500	9,098	107.04	
14	300,000	1,029,847	723,260	24,809	309,774	334,583	46.26	388,677	241.09	70.23	129.56	137.74	300,000	759,520	253.17	
15	200,000	182,635	83,426	3,330	27,920	31,250	37.46	52,176	41.71	45.68	26.09	28.57	200,000	79,753	39.88	1.83
16	50,000	312,695	165,055	6,248	60,909	67,157	40.69	97,898	330.11	52.78	195.80	31.31	50,000	137,535	275.07	55.04
17	200,000	153,282	69,887	2,779	23,552	26,331	37.68	43,556	34.94	45.59	21.78	28.42	10,000	35,055	350.55	
18	50,000	71,376	14,185	767	1,411	2,178	15.35	12,007	28.37	19.87	24.01	16.82	50,000	38,788	77.58	

CODE: C-12

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Richardson Lubricating Co. of Missouri	Quincy, Ill	28750369	10. W. A. Robinson & Co., Inc	New Bedford, Mass	1750917
2. Penn Oil Products Refining Co	Warren, Pa	15752630	11. The B. B. Stroud Co	Braddock, Pa	15752173
3. Clarendon Refining Co	Clarendon, Pa	15752577	12. Panhandle Refining Co	Wichita Falls, Tex	44751938
4. Beaver Refining Co	Pittsburgh, Pa	15751014	13. Pioneer Gasoline Co	Pittsburgh, Pa	15751155
5. The Progressive Oil Refining Co	Pratt, Kans	38751523	14. West India Oil Refining Co	Louisville, Ky	51750232
6. Sapulpa Refining Co	Sapulpa, Okla	64751526	15. Midway Gasoline Co	Los Angeles, Calif	48750826
7. Jenny Mfg. Co	Boston, Mass	1751106	16. Continental Refining Co	Oil City, Pa	15751046
8. The Penn. Refining Co	Pittsburgh, Pa	15752834	17. Atlas Refinery	Newark, N. J	11756190
9. A. C. F. Gasoline Co	Tulsa, Okla	64751309	18. Purity Gasoline Co	Los Angeles, Calif	48751022

CHEMICAL AND ALLIED INDUSTRIES: ALL OTHER CLASSES, NOT ELSEWHERE SPECIFIED

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess profits tax (5)	Total tax (6)										
CODE C-14																
1	$25,000	$25,000	$9,144	$441	$1,786	$2,227	24.35	$6,917	36.58	36.58	27.67	27.67	$25,000	$18,539	74.15	----------
2	111,600	130,961	28,713	1,481	4,014	5,495	19.14	23,218	25.73	21.92	20.80	17.73	111,600	12,969	11.62	14.11
3	400,000	395,221	123,041	5,720	27,696	33,416	27.15	89,625	30.76	31.13	22.41	22.68	345,000	[1] 1,416	-.41	31.17
4	10,000	18,372	4,439	263	53	316	7.12	4,123	44.39	24.16	41.23	22.44	10,000	1,082	10.82	33.57
5	20,000	38,448	12,736	614	2,490	3,104	24.37	9,632	63.68	33.12	48.16	25.05	20,000	13,998	69.99	----------
6	6,000	4,562	7,766	421	718	1,139	14.67	6,627	129.43	170.23	110.45	145.25	6,000	6,998	116.63	12.80
7	25,000	28,384	4,259	259	----------	259	6.08	4,000	17.04	15.00	16.00	14.09	25,000	884	3.54	13.50
8	55,000	72,759	15,551	832	1,677	2,509	16.12	13,042	28.27	21.37	23.71	17.92	55,000	6,768	12.31	15.96
9	300,000	353,404	123,187	5,451	32,317	37,768	30.66	85,419	41.06	34.85	28.47	24.18	300,000	145,014	48.34	----------
10	1,200	5,059	4,508	229	692	921	20.44	3,587	375.66	89.11	298.91	70.90	1,200	25	2.08	373.58
11	5,000	7,523	3,507	210	----------	210	5.99	3,297	70.14	46.62	65.94	43.83	5,000	2,049	40.98	29.16
12	25,000	47,731	11,365	601	1,337	1,938	17.05	9,427	45.46	23.81	37.70	19.75	25,000	26,244	104.98	----------

[1] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CHEMICAL AND ALLIED INDUSTRIES: ALL OTHER CLASSES, NOT ELSEWHERE SPECIFIED—Continued

Symbol	Capital stock, 1917	Invested capital 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE C-14—Continued																
13	$35,300	$44,924	$14,256	$610	[2]$2,154	$2,764	19.24	11,592	40.67	31.96	32.84	25.80	$35,300	$3,857	10.92	29.75
14	60,000	60,000	10,326	585	571	1,156	11.20	9,170	17.21	17.21	15.28	15.28	60,000	15,142	25.24	----------
15	70,000	88,434	13,879	784	791	1,575	11.35	12,304	19.83	15.69	17.58	13.91	70,000	12,891	18.42	1.41
16	25,000	28,345	5,957	340	268	608	10.21	5,349	23.83	21.02	21.39	18.87	25,000	4,704	18.82	5.01
17	150,000	253,138	47,308	2,551	4,772	7,323	15.48	39,985	31.54	18.69	26.65	15.79	150,000	77,624	51.75	----------
18	72,000	102,448	21,593	1,144	2,501	3,645	16.88	17,948	29.99	21.07	24.93	17.51	50,100	15,946	31.82	----------
19	10,000	26,600	35,250	1,074	[2]18,303	19,377	54.97	15,873	352.50	132.52	158.73	59.67	10,000	75,000	750.00	----------
20	147,500	327,501	59,418	3,210	5,903	9,113	15.33	50,305	40.28	18.14	34.10	15.36	147,500	98,592	66.84	----------
21	100,000	528,750	109,335	5,743	13,609	19,352	17.70	89,983	109.33	20.68	89.98	17.02	100,000	50,915	50.92	58.41
22	100,000	117,393	34,724	1,664	6,984	8,648	24.90	26,076	34.72	29.57	26.08	22.21	100,000	21,197	21.20	13.52
23	50,000	52,886	25,144	1,019	8,043	9,062	36.04	16,082	50.29	47.54	32.17	30.41	50,000	43,831	87.66	----------
24	34,850	125,257	27,329	1,443	3,265	4,708	17.23	22,621	78.42	21.81	64.91	18.05	34,850	15,506	44.49	33.93
25	30,000	39,403	11,982	600	1,982	2,582	21.55	9,400	39.94	30.41	31.33	23.86	30,000	1,969	6.56	33.38
26	10,000	25,845	4,222	253	--------	253	5.99	3,969	42.22	16.33	39.69	15.35	10,000	4,700	47.00	----------
27	180,000	205,931	83,960	3,533	25,064	28,597	8.42	55,363	46.64	40.77	30.76	26.88	150,000	61,894	41.26	5.38
28	280,000	464,993	157,655	7,167	38,194	45,361	28.76	112,294	56.31	33.90	40.11	24.15	280,000	163,895	58.53	----------
29	25,000	90,742	32,078	1,459	7,758	9,217	28.73	22,861	128.31	35.35	91.44	25.19	25,000	18,383	73.53	54.78
30	20,000	20,000	8,170	382	1,802	2,184	26.73	5,986	40.85	40.85	29.93	29.93	20,000	4,160	20.80	20.05
31	100,000	116,028	33,987	1,648	6,514	8,162	24.02	25,825	33.99	29.29	25.83	22.24	100,000	28,028	28.03	5.96
32	100,000	100,000	18,337	1,024	1,267	2,291	12.49	16,046	18.34	18.31	16.05	16.05	100,000	19,240	19.24	----------
33	10,000	450,658	101,603	5,228	14,456	19,684	19.35	81,919	1,016.03	22.54	819.19	18.18	10,000	137,466	1,374.66	----------
34	800,000	827,052	264,276	12,655	53,350	66,005	24.97	198,271	33.03	31.95	24.78	23.97	800,000	321,420	40.18	----------
35	45,000	48,783	12,581	651	1,720	2,371	18.83	10,210	27.96	25.79	22.69	20.93	45,000	17,703	39.34	----------
36	180,000	182,284	40,755	2,079	6,099	8,178	20.06	32,577	22.64	22.36	18.10	17.87	213,000	[3]1,280,918	−601.37	624.01
37	2,500	2,500	3,590	211	47	258	7.19	3,332	143.60	143.60	133.28	133.28	2,500	3,386	135.44	8.16
38	16,300	33,091	8,000	439	836	1,265	15.81	6,735	49.08	24.18	41.32	20.35	15,800	19,356	122.51	----------
39	100,000	198,448	36,403	1,930	4,234	6,164	16.93	30,239	36.40	18.34	30.24	15.24	100,000	27,336	27.34	9.06
40	285,000	316,963	60,006	3,183	6,952	10,135	16.89	49,871	21.05	18.93	17.50	15.73	285,000	31,805	11.16	9.89
41	15,000	13,000	4,307	253	61	314	7.29	3,993	28.71	33.13	26.62	30.72	15,000	3,577	23.85	4.86
42	25,000	134,105	54,740	2,315	16,151	18,466	33.73	36,274	218.96	40.81	145.10	27.05	25,000	91,389	365.56	----------

43	75,000	136,752	30,716	1,607	3,928	5,535	18.02	25,181	40.95	22.46	33.57	18.41	75,000	24,008	32.01	8.94
44	40,000	40,000	8,876	488	736	1,224	13.79	7,652	22.19	22.19	19.13	19.13	20,000	[3] 1,439	−7.20	22.39
45	450,000	564,770	365,871	12,882	151,150	164,032	44.84	201,839	81.30	64.78	44.85	35.73	225,000	291,092	129.37	-----
46	65,200	71,100	9,934	589	107	696	7.01	9,238	15.24	13.97	14.17	12.99	30,900	7,453	24.12	-----
47	82,600	202,197	96,867	3,816	33,256	37,072	38.27	59,795	117.27	47.90	72.39	29.57	82,600	80,037	96.90	20.37
48	10,000	10,000	3,286	196	-----	196	5.96	3,090	32.86	32.86	30.90	30.90	(4)	(4)	(4)	(4)
49	12,700	11,950	8,568	347	2,777	3,124	36.46	5,444	67.46	71.70	42.87	45.55	5,000	1,306	26.12	41.34
50	400,000	457,238	179,698	8,342	40,656	48,998	27.26	130,700	44.92	39.30	32.68	28.55	400,000	44,819	11.20	33.72
51	55,000	82,509	17,555	936	1,955	2,891	16.47	14,664	31.92	21.28	26.66	17.79	55,000	22,602	41.09	-----
52	300,000	415,986	151,248	6,611	41,062	47,673	31.52	103,575	50.42	36.35	34.53	24.88	300,000	138,890	46.30	4.12
53	25,000	81,758	22,815	1,273	1,585	2,858	12.53	19,957	91.26	27.90	79.83	24.41	25,000	95,726	382.93	-----
54	25,000	27,799	11,065	505	2,636	3,141	28.39	7,924	44.26	39.80	31.70	28.51	25,000	6,517	26.07	18.19
55	75,000	75,000	7,722	463	-----	463	6.00	7,259	10.30	10.30	9.68	9.68	58,800	2,973	5.06	5.24
56	100,000	118,556	54,201	2,160	17,952	20,112	37.11	34,089	54.20	45.71	34.09	28.75	150,000	62,117	41.41	12.79
57	100,000	100,000	29,286	1,380	6,278	7,658	26.15	21,628	29.29	29.29	21.63	21.63	100,000	5,860	5.86	23.43
58	50,000	100,470	26,152	1,324	4,085	5,409	20.68	20,743	52.30	26.03	41.49	20.65	50,000	32,856	65.71	-----
59	100,000	425,171	385,821	12,356	179,872	192,228	49.82	193,593	385.82	90.74	193.59	45.53	100,000	419,841	419.84	-----
60	50,000	97,203	63,591	2,262	25,890	28,152	44.27	35,439	127.18	65.42	70.88	36.46	50,000	46,526	93.05	34.13
61	30,000	30,000	102,575	2,712	57,360	60,072	58.56	42,503	341.92	341.92	141.68	141.68	30,000	[3] 50,641	−168.80	510.72
62	47,100	64,029	13,129	696	1,338	2,034	15.49	11,095	27.87	20.50	23.56	17.33	47,100	21,311	45.25	-----
63	100,000	134,387	50,676	2,187	14,217	16,404	32.37	34,272	50.68	37.71	34.27	25.50	99,000	24,510	24.76	25.92
64	10,000	10,000	5,530	265	1,098	1,363	24.65	4,167	55.30	55.30	41.67	41.67	10,000	1,450	14.50	40.80
65	9,000	36,479	9,306	517	677	1,194	12.83	8,112	103.40	25.51	90.13	22.24	9,000	[3] 6,307	−70.08	173.48
66	45,000	470,325	167,330	7,438	443,359	50,797	30.36	116,533	371.84	35.58	258.96	24.78	45,000	97,897	217.55	154.29
67	100,000	152,012	24,806	1,384	1,710	3,094	12.47	21,712	24.81	16.32	21.71	14.28	100,000	40,452	40.45	-----
68	250,000	611,371	124,727	6,575	15,137	21,712	17.41	103,015	49.89	20.40	41.20	16.85	250 000	64,995	26.00	23.89
69	160,000	212,532	85,789	3,548	25,438	28,986	33.79	56,803	53.61	40.37	35.50	26.73	160,000	69,510	43.44	10.17
70	100,000	109,327	29,569	1,412	6,035	7,447	25.19	22,122	29.57	27.05	22.12	20.23	100,090	51,882	51.88	-----
71	12,000	12,000	4,362	247	241	488	11.19	3,874	36.35	36.35	32.28	32.28	-----	1,835	-----	-----
72	50,000	50,000	12,375	590	[5] 1,296	1,886	15.24	10,489	24.75	24.75	20.98	20.98	50,000	[3] 1,684	−3.37	28.12
73	1,000	81,473	3,908	234	-----	231	5.99	3,674	390.80	4.80	367.40	4.51	1,000	8,812	881.20	-----
74	9,900	10,606	9,608	372	3,392	3,764	39.18	5,844	97.05	90.59	59.03	55.10	9,900	13,624	137.62	-----
75	240,000	386,647	56,398	3,160	3,719	6,879	12.20	49,519	23.50	14.59	20.63	12.81	240,000	70,396	29.33	-----
76	75,000	75,000	12,921	714	1,017	1,731	13.40	11,190	17.23	17.23	14.92	14.92	-----	55,877	-----	-----
77	5,000	21,876	15,267	568	5,791	6,359	41.66	8,908	305.34	69.79	178.16	40.72	5,000	4,480	89.60	215.74
78	3,000	14,338	5,492	290	655	945	17.21	4,547	183.07	38.30	151.57	31.71	3,000	[3] 2,818	−93.93	277.00
79	10,000	10,000	3,569	214	-----	214	6.00	3,355	35.69	35.69	33.55	33.55	12,500	4,471	35.77	-----
80	38,225	38,225	7,127	406	360	766	10.75	6,361	18.64	18.64	16.64	16.64	38,225	7,622	19.94	-----
81	500,000	513,202	90,655	3,405	[6] 5,515	8,920	9.84	81,735	18.13	17.66	16.35	15.93	500,000	31,219	6.24	11.89
82	35,000	47,246	8,278	465	359	824	9.95	7,454	23.65	17.52	21.30	15.78	30,200	5,768	19.10	4.55
83	150,000	193,719	39,042	2,040	5,025	7,065	18.10	31,977	26.03	20.15	21.32	16.51	150,000	38,915	25.94	.09
84	50,000	51,913	9,432	368	[6] 217	585	6.20	8,847	18.86	18.17	17.69	17.04	45,700	5,770	12.63	6.23
85	2,500	-----	770	46	-----	46	5.97	724	30.80	-----	28.96	-----	-----	1,166	-----	-----
86	100,000	227,595	15,197	911	-----	911	5.99	14,286	15.20	6.68	14.29	6.28	100,000	5,860	5.86	9.34
87	10,000	120,158	17,902	1,025	817	1,842	10.29	16,060	179.02	14.90	160.60	13.37	10,000	36,819	368.19	-----
88	56,000	91,889	10,800	583	1,076	1,659	15.36	9,141	19.29	11.75	16.32	9.95	56,000	3,950	7.05	12.24
89	7,500	41,778	6,168	367	48	415	6.73	5,753	82.24	14.76	76.71	13.77	7,500	7,513	100.17	-----

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[2] 9 months.

[3] Loss.

[4] Not in business in 1916.

[5] 10 months.

[6] 6 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE: C-14

Name of corporation	City and State	Serial number
1. The Reducine Co	Otsego, Mich	31750433
2. Pittsburgh Wood Preserving Co	Pittsburgh, Pa	15751171
3. Jefferson Gasoline Co	Tulsa, Okla	64751150
4. D. Maurer & Sons Co	Philadelphia, Pa	12750073
5. Oxygen Gas Co	Kansas City, Mo	37750865
6. Hofstra Mfg. Co	Tulsa, Okla	64751206
7. Foote Mineral Co	Philadelphia, Pa	12750097
8. Logansport Oxygen Co	Logansport, Ind	24750279
9. Corbett & Stuart	Binghampton, N.Y	6750218
10. The Winner Co	New York, N.Y	2750624
11. Nicotine Mfg. Co	St. Louis, Mo	36751507
12. The Case Hardening Service Co	Cleveland, Ohio	23751243
13. Gould Witch Hazel Co	Boston, Mass	1753970
14. St. Louis Oxygen Co	St. Louis, Mo	36751068
15. The Nettendorf Oxygen & Hydrogen Co	Bettendorf, Iowa	35750442
16. North American Chemical & Engineering	New York, N.Y	2752894
17. Economy Hog & Cattle Powder Co	Shenandoah, Iowa	35751838
18. Burdett Oxygen Co. of Illinois	Chicago, Ill	26753220
19. Ansbacker Insecticide Co., Inc	New York, N.Y	3750239
20. Southern Creosoting Co., Ltd	Slidell, La	62751311
21. American Creosote Works, Inc	New Orleans, La	62750249
22. Burdell Oxygen Co. of South Dakota	Chicago, Ill	26753220
23. Susquehanna Chemical Co	Olean, N.Y	7751405
24. Crescent City Carbonate Co	New Orleans, La	62750373
25. Lynne Grease Extracting Co	Lynn, Mass	1750710
26. American Disinfecting Co., Inc	Sedalia, Mo	37750948
27. Hanovia Chemical & Mfg. Co	Newark, N.J	11756744
28. Sommers Bros. Match Co	Saginaw, Mich	30751036
29. Cling-Surface Co	Buffalo, N.Y	7750343
30. Fidelity Remedy Co	Council Bluff, Iowa	35751028
31. Chas. Morningstar & Co., Inc	New York, N.Y	2750252
32. The Medusa Concrete Waterproofing	Cleveland, Ohio	23750898
33. The Oakland Chemical Co	New York, N.Y	2751095
34. General Bakelite Co	New York, N.Y	2751665
35. American Gas Co	Los Angeles, Calif	48750015
36. American Phosphorus Co	Philadelphia, Pa	12753073
37. The Acme Oxygen Co	Chicago, Ill	26750769
38. The Sinclair Mfg. Co	Toledo, Ohio	31750351
39. The New Brunswick Chemical Co	New Brunswick, N. J	11757126
40. Seaboard Chemical Co	Newark, N. J	11757820
41. Gisburn Supply Co	St. Louis, Mo	36751224
42. Candy & Co., Inc	Chicago, Ill	26751128
43. The Standard Carbonic Co	Cincinnati, Ohio	20751324
44. Merrit Chemical Co., Inc	Roscoe, N.Y	5751006
45. East Jordan Chemical Co	East Jordan, Mich	31750192
46. Ft. Dodge Serum Co	Ft. Dodge, Iowa	35751062
47. Genesee Chemical Co	Genesee, Pa	14750605
48. The Cold Light Mfg. Co., Inc	Denver, Colo	42751174
49. United Chemical Products Co	Jersey City, N. J	11757825
50. Union Match Co	Duluth, Minn	34750999
51. Watkins Creosoting Co	Chicago, Ill	26750457
52. Delta Chemical Co	Wells, Mich	31950852
53. Wyeth Chemical Co	Jersey City, N. J	11757801
54. Midwest Serum Co	Omaha, Nebr	39750742
55. The Wichita & Oklahoma Serum Co	Wichita, Kan	36750429
56. Lackawanna Chemical Co	Olean, N.Y	7751213
57. Gulf Creosoting Co	Gulfport, Miss	61750735
58. Perolin Co. of America	Chicago, Ill	26753411
59. Standard Essence Co	Maywood, N. J	11757479
60. Marvindale Chemical Co	Bradford, Pa	15751292
61. Chattanooga Chemical Co	Chattanooga, Tenn	55751589
62. Garratt Calahan Co	San Francisco, Cal	47757911
63. Indiana Match Corporation	Crawfordsville, Ind	25750436
64. Kalak Water Co	San Francisco, Cal	47750757
65. Grain Belt Supply Co	Omaha, Nebr	39750555
66. Murray & Nickle Mfg. Co	Chicago, Ill	26752833
67. Wm. Perterman, Inc	New York, N.Y	3752734
68. Republic Creosoting Co	Indianapolis, Ind	24751162
69. A. B. Smith Chemical Co	Buffalo, N.Y	7751599
70. Smithport Wood Products Co	Olean, N.Y	7751371
71. White Serum Co	Nashville, Tenn	55751361
72. Chattanooga Oxygen Gas Co	Chattanooga, Tenn	55751585
73. Egyptian Chemical Co	Boston, Mass	1752187
74. The Fitch Dustdown Co	Cincinnati, Ohio	20750227
75. National Match Co	Joliet, Ill	26752821
76. Liberty Wood Products Co	Port Allegany, Pa	15752286
77. Inter State Vaccine Co	Kansas City, Kan	38750884
78. The Sihler Hog Cholera Serum Co	Kansas City, Mo	38750353
79. Nontoxa Chemical Co	South Bend, Ind	24750806
80. Indiana Oxygen Co	Indianapolis, Ind	24750794
81. Pennsylvania Match Co	Bellefonte, Pa	1475071
82. The Dayton Oxygen & Hydrogen Products Co	Dayton, Ohio	20751034
83. The Ligum Chemical Works	Brooklyn, N.Y	4750658
84. The Toledo Rex Spray Co	Toledo, Ohio	21751051
85. Van Vleck Gland Extract & Serum Co	Kansas City, Mo	37750328
86. Gulfort Creosoting Co	Gulfort, Miss	61750734
87. H. S. Eckels & Co	Philadelphia, Pa	12751167
88. Standard Oxygen Co	New York, N.Y	3752756
89. The Tariffville Oxygen & Chemical Co	Tariffville, Conn	8751603

IRON AND STEEL INDUSTRIES: BLAST FURNACES

Symbol	Capital stock, 1917	Invested capital 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is-A																
1	$1,877,865	$2,219,521	$750,774	$33,503	$192,394	$225,897	30.09	$524,877	39.98	33.83	27.95	23.65	$1,867,000	$438,552	23.49	16.49
2	260,400	316,212	116,791	5,039	32,794	37,833	32.39	78,958	44.85	36.93	30.32	24.97	262,000	[1] 31,454	−12.01	56.86
3	1,500,000	2,213,085	720,317	32,637	176,372	209,009	29.02	511,308	48.02	32.55	34.09	23.10	1,500,000	803,574	53.57	-----
4	100,000	359,565	544,746	15,655	283,819	299,474	54.97	245,272	544.75	151.50	245.27	68.21	100,000	238,540	238.54	306.21
5	300,000	419,638	325,845	10,878	144,551	155,429	47.70	170,416	108.61	77.65	56.81	40.61	300,000	177,257	59.09	49.52
6	200,000	296,400	113,122	4,813	32,890	37,703	33.33	75,419	56.56	38.17	37.71	25.44	119,700	54,432	45.47	11.09
7	625,000	995,819	1,061,707	32,457	520,909	553,366	52.12	508,341	169.87	106.62	81.33	51.05	625,000	729,042	116.65	53.22
8	458,100	554,611	621,654	18,815	308,057	326,872	52.58	294,782	135.70	112.09	64.35	53.15	452,700	158,898	35.10	100.60
9	35,000	155,344	79,355	3,021	28,993	32,014	40.34	47,341	226.73	51.08	135.26	30.47	35,000	35,504	101.44	125.29
10	100,000	703,483	224,702	10,258	53,734	63,992	28.48	160,710	224.70	31.94	160.71	22.84	100,000	50,590	50.59	174.11
11	68,800	101,106	25,873	1,293	4,319	5,612	21.69	20,261	37.61	25.59	29.45	20.04	68,800	34,017	49.44	-----
12	150,000	150,000	77,792	2,947	28,675	31,622	40.65	46,170	51.86	51.86	30.78	30.78	150,000	3,882	2.59	49.27
13	1,084,000	1,099,853	482,359	19,268	161,232	180,500	37.42	301,859	44.50	43.86	27.85	27.45	1,084,000	216,838	20.00	24.50
14	400,000	894,331	376,986	15,308	121,849	137,157	36.38	239,829	94.25	42.15	59.96	26.82	400,000	100,659	25.16	69.09
15	10,000	10,529	3,432	205	-----	205	5.97	3,227	34.32	32.60	32.27	30.65	10,000	540	5.40	28.92
16	2,250,000	2,287,718	1,249,909	45,956	483,970	529,926	42.40	719,983	55.55	54.64	32.00	31.47	1,500,000	123,017	8.20	47.35
17	200,000	290,328	155,941	5,834	58,705	64,539	41.39	91,402	77.97	53.71	45.70	31.48	200,000	[1] 1,448	−.72	78.69

[1] Loss.

CODE Is-A

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Marting Iron & Steel Co	Ironton, Ohio	22750800	10. Sligo Furnace Co	St. Louis, Mo	36750085
2. Napier Iron Works	Nashville, Tenn	55750334	11 The Hawley Down Draft Furnace Co	Easton, Pa	14750292
3. Zenith Furnace Co	Duluth, Minn	34751278	12. Detroit Furnace Co	Detroit, Mich	30751078
4. The Sharpsville Furnace Co	Pitsburgh, Pa	15752240	13. E. & G. Brooks Iron Co	Birdsboro, Pa	12750883
5. Punxsutawney Furnace Co	Dubois, Pa	15752089	14. Kittanning Iron & Steel Mfg. Co	Kittanning, Pa	15750855
6. The Juniata Furnace and Foundry Co	Philadelphia, Pa	12750864	15. G. F. Burton Co	Springfield, Ohio	20750325
7. Belfont Iron Works Co	Ironton, Ohio	22750082	16. Detroit Iron & Steel Co	Detroit, Mich	30751259
8. Delaware River Steel Co	Chester, Pa	12752105	17. The Milton Iron Co	Wellston, Ohio	22750801
9. Standard Iron Co	Goodrich, Tenn	55750909			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: FORGING AND FOUNDRY

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of nete income to capital stock for 1917 above the percentage for 1916 (16)
CODE Is-B																
1	$60,000	$73,098	$20,582	$1,006	$3,801	$4,807	23.36	$15,775	34.30	28.16	26.29	21.58	$60,000	$13,319	22.20	12.10
2	51,500	88,456	49,586	1,821	19,070	20,891	42.13	28,695	96.28	56.06	55.72	32.44	51,500	15,759	30.60	65.68
3	42.100	173,866	52,935	2,476	11,659	14,135	26.70	38.800	125.74	30.45	92.16	22.32	42,100	26,902	63.90	61.84
4	16,900	50,112	13,821	692	2,287	2,979	21.55	10,842	81.78	27.58	64.15	21.64	16,900	9,253	54.75	27.03
5	25,000	396,160	178,179	7,163	58,730	65,893	36.98	112,286	712.72	44.98	449.14	28.34	25,000	98,782	395.13	317.59
6	18,000	23,841	5,841	336	234	570	9.76	5,271	32.45	24.50	29.28	22.11	18,000	172	0.96	31.49
7	----------	31,641	9,011	460	1.328	1,788	19.84	7,223	----------	28.48	----------	22.83	9,000	15,761	175.12	----------
8	21,000	34,772	5,410	324	--------	324	5.99	5,086	25.76	15.56	24.22	14.63	21,000	3,333	15.87	9.89
9	7,000	49,270	15,276	909	112	1,021	6.68	14,255	218.23	31.00	203.64	28.93	7,000	14,942	213.46	4.77
10	50,000	100,889	75,848	2,582	32.802	35,384	46.65	40,464	151.70	75.18	80.93	40.11	50,000	57,028	114.06	37.64
11	12.000	17,604	3,888	233	--------	233	5.99	3,655	32.40	22.09	30.46	20.76	12,000	5,718	47.65	----------
12	4.300	7,913	3,613	216	--------	216	5.98	3,397	84.02	45.66	79.00	42.93	4,300	2,033	47.28	36.74
13	20,000	24,461	6,560	353	673	1,026	15.64	5,534	32.80	26.82	27.67	22.62	20,000	5,051	25.26	7.54
14	6,800	6,800	4,474	232	598	830	18.55	3,644	65.79	65.79	53.59	53.59	6,300	3,804	60.38	5.41
15	4,200	11,104	11,480	419	4,488	4,907	42.74	6,573	273.33	103.39	156.50	59.19	4,200	3,424	81.52	191.81
16	250,000	292,152	60,231	3,181	7,172	10,353	17.19	49,878	24.10	20.62	19.95	17.07	227,000	33,288	14.66	9.44
17	49,800	139,458	39,126	1,908	7,309	9,217	23.56	29,909	78.57	28.06	60.06	21.45	49,800	34,254	68.78	9.79
18	20,000	92,787	19,217	996	12,598	3,594	18.70	15,623	96.09	20.71	78.10	16.84	20,000	10,599	53.00	43.09
19	25,000	68.725	19,556	955	3,630	4,585	23.45	14,971	78.22	28.46	59.88	21.78	25,000	[1] 11,772	−47.09	125.31
20	20,000	75,843	46,608	1,682	18,567	20,249	43.45	26,359	233.04	61.45	131.80	34.75	20,000	28,050	140.25	92.79
21	100,000	365,267	113,999	4,520	38.652	43,172	37.87	70,827	114.00	31.21	70.83	19.39	100,000	55,336	55.34	58.66
22	82,700	124,486	24,395	1,309	2,573	3,882	15.91	20,513	29.50	19.60	24.80	16.48	82,700	6,692	8.09	21.41
23	26,000	20,000	5,698	310	524	834	14.64	4,864	21.92	28.49	18.71	24.32	20,000	3,735	18.68	3.24
24	50,000	75,924	18,636	960	2.620	3,580	19.21	15,056	37.27	24.55	30.11	19.83	50,000	32,393	64.79	----------
25	100,000	231,749	74,345	3,414	17,444	20,858	28.06	53,487	74.35	32.08	53.49	23.08	100,000	75,440	75.44	----------
26	15,000	50,000	13,059	678	1,751	2,429	18.60	10,630	87.06	26.12	70.87	21.26	15,000	9,829	65.53	21.53
27	24.000	94,508	15,140	861	775	1,636	10.81	13,504	63.08	16.02	56.27	14.29	23,000	29,782	129.50	----------
28	12,000	25,965	6,749	369	599	968	14.34	5,781	56.24	25.99	48.18	22.26	12,000	12,963	108.03	----------
29	10,000	46,592	15,967	755	3,378	4,133	25.89	11,834	159.67	34.27	118.34	25.40	10,000	15,144	151.44	8.23
30	25,000	41,125	22,450	861	8,099	8,960	39.91	13,490	89.80	54.59	53.96	32.80	25,000	19,669	78.68	11.12

31	10,000	25,766	13,105	502	4,227	4,729	36.09	8,376	131.05	50.86	83.76	32.51	10,000	3,096	30.96	100.09
32	27,500	233,693	40,991	2,182	4,623	6,805	16.60	34,186	149.06	17.54	124.31	14.63	27,500	36,581	133.02	16.04
33	25,000	62,630	38,949	1,406	15,504	16,910	43.42	22,039	155.80	62.19	88.16	35.19	25,000	36,204	144.82	10.98
34	23,003	23,003	4,745	281	47	328	6.91	4,417	20.63	20.63	19.20	19.20	23,003	8,690	37.78	
35	30,000	36,453	7,248	409	424	833	11.49	6,415	24.16	19.88	21.38	17.60	30,000	4,130	13.76	10.40
36	10,000	53,040	17,284	824	3,544	4,368	25.27	12,916	172.84	3.259	129.16	24.35	10,000	7,570	75.70	97.14
37	13,000	43,200	17,600	901	2,570	3,471	19.72	14,129	135.38	40.74	108.68	32.71	13,000	9,303	71.56	63.82
38	21,000	39,885	17,394	742	5,023	5,765	33.14	11,629	82.83	43.61	55.38	29.16	21,000	11,480	54.67	28.16
39	200,000	411,785	64,619	3,573	5,054	8,627	13.35	55.992	32.31	15.69	28.00	13.60	200,000	161,861	80.93	
40	275,000	333,822	128,521	5.483	37,122	42,605	33.15	85,916	46.73	38.50	31.24	25.74	275,000	75,690	27.52	19.21
41	247,800	377,017	131.093	5,910	33,173	39,083	29.68	92,610	53.14	34.93	37.37	24.56	247,800	54,152	21.85	31.29
42	8,800	37,444	15,427	678	4,125	4,803	31.13	10,624	175.31	41.20	120.72	28.37	8,880	17,038	191.87	
43	10,000	16,789	5,761	321	396	717	12.45	5,044	57.61	34.31	50.44	30.04	10,000	6,395	63.95	
44	192,250	252,782	177,682	6,120	75,675	71,795	46.03	95,887	92.42	70.28	49.88	37.93	192,250	24,567	12.78	79.64
45	20,000	52,026	20,888	912	5,685	6,597	31.58	14,291	104.44	40.15	71.46	27.47	20,000	18,295	91.48	12.96
46	212,500	373,850	165,728	6,615	55,470	62,085	37.46	103,643	77.99	44.33	48.77	27.72	225,000	126,586	56.26	21.73
47	60,000	447,155	123,082	5,881	25,051	30,932	25.13	92,150	205.14	27.52	153.58	20.61	60,000	89,447	149.08	6.506
48	48,500	224,778	74,464	3,387	18,004	21,391	28.73	53,073	153.53	33.13	109.43	23.61	50,000	42,585	85.17	68.36
49	50,000	53,614	23,124	964	7,055	8,109	34.68	15,105	46.25	43.13	30.21	28.17	40,000	4,362	10.91	35.34
50	13,200	30,670	6.427	373	196	569	8.85	5,858	48.69	20.96	44.31	19.10	13,200	5.164	39.12	9.57
51	122,650	180,361	92,161	4,238	21,513	25,751	27.94	66,410	75.14	51.50	54.15	38.82	122,650	40,311	32.87	42.27
52	50,000	103,420	25,327	1,306	3,559	4.865	19.21	20,462	50.65	24.49	40.92	19 79	50,000	19,515	39.03	11.62
54	25,000	67,261	22,997	1,064	5,261	6,325	27.50	16,672	91.98	34.19	66.68	24.79	25,000	53,415	213,66	
54	60,000	60,036	15,409	823	1,682	2.505	16.26	12,904	25.68	25.67	21.51	21.49	60,000	13,041	21.74	3.94
55	100,000	475,080	241,728	9,258	87,420	96,685	39.99	145,043	241.73	50.88	145.04	30.53	100,000	164,523	164.52	77.21
56	75,000	238,676	127,837	4,765	48,415	53,181	41.60	74,657	170.45	53.56	99.54	31.28	75,000	75,202	100.27	70.18
57	48,500	46,439	23,927	939	8,276	9,215	38.51	14,472	49.33	51.52	30.33	31.58	7,000	5,772	82.64	
58	16,500	18,129	5,239	293	346	639	12.20	4,600	31.75	28.90	27.88	25.37	16,500			
59	15,000	32,000	5,884	345	128	473	8.04	5,411	39.23	18.29	36.07	16.91	15,000	1,283	8.55	30.68
60	300,000	311,361	175,692	6,494	67,452	73,946	42.09	101,746	58.56	56.43	33.92	32.68	300,000	63,462	21.15	37.41
61	20,600	105,566	20.836	1,109	2,339	3,448	16.54	17,388	104.18	19.74	96 94	16.47		5,265		
62	70,000	72,795	12,908	728	770	1,498	11.61	11,410	18.44	17.73	16.30	15.67	35,000	16,796	47.99	
63	140,000	144,060	49,770	2,232	12,551	14,783	29.70	34,987	35.55	34.54	24.99	24.29	140,000	5,014	3.58	31.97
64	10,000	100,510	21,964	1,165	2,516	3,681	16.76	18,283	219.64	21.85	182.83	18.19	10,000	35,214	352.24	
65	22,000	22,000	3,752	225		225	6.00	3,527	17.05	17.05	16.03	16.03		1,287		
66	10,000	9,464	9,396	360	3,383	3,743	39.84	5,653	93.96	99.28	56.53	59.73	10,000	535	5.35	88.61
67	78,500	195,484	83,372	3,445	25,964	29,409	35.27	53,963	106.21	42.65	68.74	27.60	78.500	46,066	58.68	47.53
68	200,000	197,946	53,054	2,576	10,111	12,687	23.91	40,367	26.53	26. 0	20.18	20.39	200,000	32,161	16.08	10.45
69	100,000	182,517	32,913	1,752	3,704	5,456	16.58	27,457	32.91	18.03	27.46	15.04	100,000	15,017	15.02	17.89
70	39,200	42,918	11,511	587	1,726	2,313	20.09	9,198	29.36	26.82	23.46	21.43	39,200	2,026	5.17	24.19
71	20,000	32,683	9,182	470	1,339	1,809	19.70	7,373	45.91	28.10	36.87	22.56	20,000	24,157	120.79	
72	107,700	118,484	22,447	1,198	2,464	3,662	16.31	18,785	20.84	18.95	17.44	15.85	75,000	14,406	19.21	1.63
73	50,000	58,533	17,791	864	3,376	4,240	23.84	13,551	35.58	30.39	27.10	23.15	50,000	7,840	15.68	19.90
74	16,600	24,023	7,581	352	[2] 966	1,318	17.39	6,263	45.67	31.56	37.73	26.07	16,600	[1] 1,023	−6.16	51.83
75	50,000	408,934	62,901	3,345	7,150	10,495	16.68	52,406	125.80	15.38	104.81	12.82	50,000	95,333	190.67	
76	18,000	37,335	8,113	418	1,132	1,550	19.11	6,563	45.07	21.73	36.46	17.58	18,000	6,607	36.71	8.36
77	18,200	13,334	4,334	249	180	429	19.90	3,905	23.81	32.50	21.41	29.29	18,200	[1] 2,411	−13.25	37.06
78	12,000	19,687	8,899	393	2,337	2,730	30.69	6,169	74.15	45.20	51.41	31.34	12,000	786	6.55	67.60
79	30,000	40,863	16,210	709	4,386	5,095	31.43	11,115	54.03	39.64	37.05	27.20	30,000	18,498	61.66	
80	27,600	28,272	4,249	254		254	5.98	3,995	15.39	15.03	14.37	14.13	17,500	7,828	44.73	

[1] Loss.

[2] 10 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: FORGING AND FOUNDRY—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the per cent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is-B—Continued																
81	$41,600	$41,617	$16,152	$713	$4,263	$4,976	30.81	$11,176	38.83	38.82	26.87	26.85	$31,500	$3,518	11.17	27.66
82	100,000	437,500	219,529	8,454	78,617	87,071	39.66	132,458	219.53	50.18	132.46	30.28	100,000	118,345	118.35	101.18
83	40,000	40,000	10,885	560	1,538	2,098	19.28	8,787	27.21	27.21	21.97	21.97	40,000	4,743	11.86	15.35
84	80,000	245,393	84,494	3,771	21,630	25,401	30.07	59,093	105.62	34.43	73.87	24.08	80,000	60,449	75.56	30.06
85	70,000	134,002	45,140	2,080	10,404	12,484	27.66	32,656	64.49	33.69	46.65	24.37	70,000	49,713	71.02	------------
86	10,000	42,706	7,123	419	128	547	7.68	6,576	71.23	16.68	65.76	15.40	10,000	7,051	70.51	.72
87	8,100	21,097	9,886	425	2,793	3 218	32.56	6,668	122.05	46.86	82.33	31.61	7,200	11,757	163.30	------------
88	11,500	24,175	5,318	306	204	510	9.60	4,808	46.25	22.00	41.81	19.89	11,500	1,173	10.20	36.05
89	30,000	118,952	83,397	2,893	35,163	38,056	45.63	45,341	277.99	70.11	151.14	38.12	30,000	94,003	313.33	------------
90	100,000	170,445	28,175	1,564	2,097	3,661	12.99	24,514	28.18	16.53	24.51	14.38	100,000	21,516	21.52	6.66
91	5,500	26,313	6,044	339	378	717	11.87	5,327	109.90	22.97	96.86	20.25	5,500	14,377	261.40	------------
92	41,000	79,937	19,446	1,012	2,569	3,581	18.42	15,865	47.43	24.33	38.69	19.85	41,000	11,610	28.32	19.11
93	100,000	115,792	24,341	1,273	3,114	4,387	18.03	19,954	24.34	21.02	19.95	17.23	100,000	15,000	15.00	9.34
94	75,000	142,268	32,641	1,697	4,351	6,048	18.53	26,593	43.52	22.94	35.46	18.69	75,000	27,223	36.30	7.22
95	450,000	606,684	541,022	17,243	253,638	270,881	50.07	270,141	120.23	89.18	60.03	44.53	413,800	159,951	38.65	81.58
96	10,000	16,947	24,447	453	16,879	17,332	70.90	7,115	244.47	144.26	71.15	41.99	4,500	12,447	276.60	------------
97	10,000	25,007	21,864	741	9,505	10,246	46.88	11,618	218.64	87.43	116.18	46.46	7,700	9,683	125.76	92.88
98	800,244	568,517	211,617	9,071	60,422	69,493	32.84	142,124	26.44	37.22	17.76	25.00	200,000	143,985	71.99	------------
99	10,000	66,262	9,820	563	436	999	10.18	8,821	98.20	14.82	88.21	13.31	10,000	7,530	75.30	22.90
100	22,943	41,807	40,542	1,300	18,876	20,176	49.76	20,366	176.71	96.97	88.77	48.71	25,311	3,874	15.31	161.40
101	300,000	335,733	40,055	2,280	2,039	4,319	10.78	35,736	13.35	11.93	11.91	10.64	300,000	23,041	7.68	5.67
102	40,000	39,281	7,384	430	212	642	8.69	6,742	18.46	18.80	16.86	17.16	40,000	8,767	21.92	------------
103	50,000	63,932	12,352	674	1,113	1,787	14.47	10,565	24.70	19.32	21.13	16.53	50,000	5,254	10.51	14.19
104	200,000	363,074	117,830	5,373	28,279	33,652	28.56	84,178	58.92	32.45	42.09	23.18	200,000	40,273	20.14	38.78
105	50,000	178,138	45,836	2,259	8,180	10,439	22.77	35,397	91.67	25.73	70.79	19.87	50,000	30,649	61.30	30.37
106	50,000	101,435	49,691	1,958	17,042	19,000	38.24	30,691	99.38	48.99	61.38	30.26	25,000	16,965	67.86	31.52
107	50,000	61,945	23,940	1,056	6,330	7,386	30.85	16,554	47.88	38.65	33.11	26.72	50,000	23,162	46.32	1.56
108	50,000	55,917	20,240	924	4,834	5,758	28.45	14,482	40.48	36.20	28.96	25.90	50,000	18,103	36.21	4.27

109	402,000	321,265	88,276	4,269	17,117	21,386	24.23	66,890	21.96	27.48	16.64	20.82	60,000	33,104	55.17	----------
110	4,500	53,254	10,434	574	861	1,435	13.75	8,999	231.87	19.58	199.98	16.90	4,500	6,189	137.53	94.34
111	20,500	20,500	4,103	246	--------	246	6.00	3,857	20.01	20.01	18.81	18.81	20,500	515	2.51	17.50
112	12,000	45,949	8,242	466	472	938	11.38	7,304	68.68	17.94	60.87	15.90	12,000	----------	----------	----------
113	40,000	123,612	29,259	1,514	4,016	5,530	18.90	23,729	73.15	23.67	59.32	19.20	40,000	40,534	101.34	----------
114	22,535	31,022	9,051	464	1,306	1,770	19.56	7,281	40.16	29.18	32.31	23.47	2,035	1,207	59.31	----------
115	9,000	20,261	20,592	681	9,228	9,909	48.12	10,683	228.80	101.68	118.70	52.73	9,000	16,270	180.78	48.02
116	10,000	39,610	7,322	386	876	1,262	17.24	6,060	73.22	18.49	60.60	15.30	10,000	18,247	182.47	----------
117	77,000	19,144	39,173	1,116	20,558	21,674	55.33	17,499	50.87	204.62	22.73	91.41	10,000	8,399	83.99	----------
118	100,000	135,896	38,062	1,866	6,947	8,813	23.15	29,249	38.06	28.01	29.25	21.52	100,000	23,450	23.45	14.61
119	25,000	31,761	7,975	436	694	1,130	14.17	6,845	31.90	25.11	27.38	21.55	25,000	3,412	13.65	18.25
120	52,600	52,600	3,678	220	--------	220	5.98	3,458	6.99	6.99	6.57	6.57	51,600	15,259	29.57	----------
121	31,500	63,405	3,967	238	--------	238	6.00	3,729	12.59	6.26	11.84	5.88	31,500	3,518	11.17	1.42
122	50,000	41,984	10,811	565	1,386	1,951	18.05	8,860	21.62	25.75	17.72	21.10	12,000	1,256	10.47	11.15
123	10,000	53,695	16,052	771	3,191	3,962	24.68	12,090	160.52	29.89	120.90	22.52	10,000	2,213	22.13	138.39
124	131,000	155,383	50,552	2,324	11,815	14,139	27.97	36,413	38.59	32.53	27.80	23.43	131,000	36,585	27.93	10.66
125	15,000	55,560	14,899	762	2,187	2,949	19.79	11,950	99.33	26.82	79.67	21.51	15,000	28,531	190.21	----------
126	20,000	251,678	23,925	1,395	661	2,056	8.59	21,869	119.63	95.06	109.35	8.69	20,000	11,227	56.14	63.49
127	125,000	173,856	39,204	1,997	5,906	7,903	20.16	31,301	31.36	22.55	25.04	18.00	125,000	58,431	46.74	----------
128	100,000	160,887	33,097	1,766	3,663	5,429	16.40	27,668	33.10	20.57	27.67	17.20	100,000	20,600	20.60	12.50
129	149,500	173,356	33,519	1,767	4,052	5,819	17.36	27,700	22.42	19.33	18.53	15.98	149,500	16,456	11.01	11.41
130	26,500	26,500	13,841	726	1,738	2,464	17.80	11,377	52.23	52.23	42.93	42.93	50,000	9,550	19.10	33.13
131	65,000	152,182	53,118	2,406	13,009	15,415	29.02	37,703	81.72	34.90	58.00	24.77	65,000	45,933	70.67	11.05
132	30,000	97,923	26,065	1,286	4,617	5,903	22.65	20,162	86.88	26.62	67.21	20.59	30,000	17,583	58.61	28.27
133	25,000	217,265	27,360	1,531	1,830	3,361	12.28	23,999	109.44	12.59	96.00	11.04	25,000	16,095	64.38	45.06
134	90,100	73,374	16,720	904	1,633	2,537	15.17	14,183	18.56	22.79	15.74	19.33	4,500	11,346	252.13	----------
135	50,000	154,323	16,268	946	493	1,439	8.84	14,829	32.54	10.54	29.66	9.61	50,000	5,220	10.44	22.10
136	133,200	147,771	30,496	1,611	3,645	5,256	17.23	25,240	22.89	20.64	18.95	17.08	122,000	21	.02	22.87
137	30,000	51,754	14,089	707	2,298	3,005	21.33	11,084	46.96	27.22	36.95	21.41	30,000	10,792	35.97	10.99
138	12,200	26,344	12,753	528	3,951	4,479	35.10	8,274	104.53	48.41	67.82	31.41	9,900	8,839	89.28	15.25
139	55,000	55,000	21,289	937	5,668	6,605	31.02	14,684	38.71	38.71	26.70	26.70	55,000	13,442	24.44	14.27
140	25,575	29,796	23,542	810	10,038	10,848	46.06	12,694	92.05	79.01	49.63	42.60	25,525	5,177	20.28	71.77
141	5,000	5,000	3,145	188	--------	188	5.98	2,957	62.90	62.90	59.14	59.14	5,000	34	.68	62.22
142	50,000	135,568	30,901	1,611	4,047	5,658	18.31	25,243	61.80	22.79	50.49	18.62	48,000	33,216	69.20	----------
143	100,000	106,653	19,910	1,069	2,084	3,153	15.84	16,757	19.91	18.66	16.76	15.70	100,000	3,882	3.88	16.03
144	25,000	42,000	16,049	713	4,157	4,870	30.34	11,179	64,20	38.21	44.72	26.62	25,000	14,118	56.47	7.73
145	385,416	411,644	82,075	4,359	9,421	13,780	16.79	68,295	21.29	19.93	17.72	16.59	35,600	108,162	303.83	----------
146	75,000	50,451	17,427	805	4,004	4,809	27.59	12,618	23.24	34.54	16.82	25.01	50,000	14,933	29.87	----------
147	21,000	32,696	11,925	555	2,661	3,216	26.97	8,709	56.79	36.47	41.47	26.64	21,000	7,868	37.47	19.32
148	15,000	25,646	13,455	621	3,104	3,725	27.68	9,730	89.70	52.46	64.87	37.94	15,000	2,910	19.40	70.30
149	35,298	35,298	8,886	470	1,042	1,512	17.01	7,374	25.17	25.17	20.89	20.89	50,000	[1] 3,061	−6.13	31.30
150	60,900	107,155	22,621	1,189	2,790	3,979	17.58	18,642	37.14	21.10	30.61	17.39	59,800	11,431	19.12	18.02
151	140,000	471,272	66,891	3,699	5,237	8,936	13.36	57,955	47.78	14.19	41.40	12.30	140,000	39,419	28.16	19.62
152	70,000	312,821	77,918	3.858	13,611	17,469	22.42	60,449	111.31	24.91	86.36	19.32	70,000	20,035	28.62	82.69
153	20,425	120,143	33,370	1,645	5,946	7,591	22.75	25,779	163.38	27.78	126.21	21.46	20,425	12,092	59.20	104.18
154	72,300	104,902	26,872	1,341	4,516	5,857	21.80	21,015	37.17	25.62	29.07	20.03	72,300	7,278	10.07	27.10
155	25,000	26,826	4,730	283	--------	283	5.98	4,447	18.92	17.63	17.79	16.58	25,000	3,434	13.74	5.18
156	25,000	69,901	4,654	279	--------	279	5.99	4,375	18.62	6.66	17.50	6.26	25,000	6,280	25.12	----------
157	100,000	126,395	23,946	1,307	2,163	3,470	14.49	20,476	23.95	18.95	20.48	16.20	74,800	11,687	15.62	8.33

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[1] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: FORGING AND FOUNDRY—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Code Is-B—Continued																
158	$20, 000	$25, 701	$5, 294	$317	--------	$317	5. 99	$4, 977	26. 47	20. 60	24. 88	19. 37	$20, 000	$6, 982	34. 91	------------
159	150, 000	179, 001	30, 509	1, 600	[2] $2, 257	3, 857	12. 64	26, 652	20. 34	17. 04	17. 77	14. 89	150, 000	25, 168	16. 78	3. 56
160	170, 590	292, 759	66, 186	3, 346	10, 415	13, 761	20. 79	52, 425	38. 82	22. 61	30. 75	17. 91	180, 500	71, 819	39. 79	------------
161	6, 100	36, 771	9, 928	515	1, 345	1, 860	18. 73	8, 068	162. 75	27. 00	132. 26	21. 94	6, 100	6, 832	112. 00	50. 75
162	295, 000	303, 932	58, 148	3, 117	6, 186	9, 303	16. 00	48, 845	19. 71	19. 13	16. 56	16. 07	130, 000	113, 791	87. 53	------------
163	65, 000	85, 000	14, 072	789	920	1, 709	12. 14	12, 363	21. 65	16. 56	19. 02	14. 54	60, 000	7, 342	12. 24	9. 41
164	15, 000	21, 336	10, 599	444	3, 198	3, 642	34. 36	6, 957	70. 66	49. 68	46. 38	32. 61	9, 500	8, 962	94. 34	------------
165	27, 600	27, 600	4, 043	242	--------	242	5. 99	3, 801	14. 65	14. 65	13. 77	13. 77	27, 600	2, 817	10. 21	4. 44
166	10, 000	10, 000	3, 118	186	--------	186	5. 97	2, 932	31. 18	31. 18	29. 32	29. 32	10, 000	[1] 166	−1. 66	32. 84
167	40, 000	40, 723	11, 453	588	1, 655	2, 243	19. 58	9, 210	28. 63	28. 12	23. 02	22. 62	40, 000	3, 288	8. 22	20. 41
168	117, 400	135, 198	92, 873	3, 237	38, 882	42, 119	45. 35	50, 754	79. 11	68. 68	43. 23	37. 54	94, 500	[1] 4, 747	−5. 02	84. 13
169	25, 000	36, 096	8, 072	441	721	1, 162	14. 40	6, 910	32. 29	22. 36	27. 64	19. 14	25, 000	4, 106	16. 42	15. 87
170	38, 000	114, 703	24, 550	1, 288	3, 078	4, 366	17. 78	20, 184	64. 61	21. 40	53. 12	17. 60	38, 000	22, 334	58. 77	5. 84
171	50, 000	85, 024	12, 386	722	346	1, 068	8. 62	11, 318	24. 77	14. 57	22. 64	13. 31	50, 000	11, 450	22. 90	1. 87
172	210, 000	260, 905	53, 415	2, 612	5, 502	8, 114	15. 19	45, 301	25. 44	20. 47	21. 57	17. 36	210, 000	21, 840	10. 40	15. 04
173	6, 000	13, 744	4, 714	260	365	625	13. 26	4, 089	78. 57	34. 30	68. 15	29. 75	6, 000	3, 100	51. 67	26. 90
174	13, 000	14, 768	4, 332	255	68	323	7. 46	4, 009	33. 32	29. 33	30. 84	27. 15	13, 000	4, 851	37. 32	------------
175	40, 000	50, 674	10, 674	603	622	1, 225	11. 48	9, 449	26. 69	21. 06	23. 62	18. 65	40, 000	6, 276	15. 69	11. 00
176	7, 729	23, 596	9, 224	414	2, 142	2, 556	27. 71	6, 668	119. 34	39. 09	86. 27	28. 13	50, 000	2, 814	5. 63	113. 71
177	29, 550	34, 960	7, 465	416	531	947	12. 69	6, 518	25. 26	21. 35	22 06	18. 64	29, 550	1, 928	6. 52	18. 74
178	150, 000	196, 813	114, 413	4, 198	44, 430	48, 628	42. 50	65, 785	76. 28	58. 13	43. 86	33. 43	140, 000	35, 748	25. 53	50. 75
179	10, 000	90, 874	41, 166	1, 678	13, 195	14, 873	36. 13	26, 293	411. 66	45. 30	262. 93	28. 93	10, 000	85, 416	854. 16	------------
180	150, 000	467, 139	168, 109	6, 677	[2] 34,557	41, 234	24. 53	126, 875	112. 07	35. 99	84. 58	27. 16	150, 000	78, 632	52. 42	59. 65
181	140, 000	503, 130	215, 246	8, 816	66, 913	75, 729	35. 18	139, 517	153. 74	42. 78	99. 65	27. 73	140, 000	148, 722	106. 23	47. 51
182	30, 000	92, 777	27, 691	1, 342	5, 320	6, 662	24. 06	21, 029	92. 30	29. 85	70. 10	22. 67	30, 000	18, 816	62. 72	29. 58
183	10, 000	25, 095	14, 614	568	5, 144	5, 712	39. 09	8, 902	146. 14	58. 24	89. 02	35. 47	10, 000	7, 051	70. 51	75. 63
184	62, 300	65, 157	25, 072	1, 106	6, 624	7, 730	30. 83	17, 342	40. 24	38. 48	27. 79	26. 62	62, 300	7, 163	11. 50	28. 74
185	52, 500	130, 163	26, 526	1, 350	[2] 2, 697	4, 047	15. 26	22, 479	50. 53	20. 38	42. 82	17. 27	52, 500	26, 268	50. 03	. 50
186	1, 000	10, 000	4, 549	242	[3] 509	751	16. 51	3, 798	454. 90	45. 49	379. 80	37. 98	1, 000	[1] 10	−1. 00	455. 90
187	75, 000	93, 582	31, 435	1, 464	7, 031	8, 495	27. 03	22, 940	41. 91	33. 59	30. 59	24. 51	35, 000	254	. 73	41. 18
188	200, 000	302, 649	69, 358	2, 928	[4] 6, 603	9, 531	13. 74	59, 827	34. 68	22. 88	29. 91	19. 77	200, 000	77, 223	38. 61	------------

189	50,000	67,547	14,094	753	1,529	2,282	16.19	11,812	28.19	20.87	23.62	17.49	50,000	3,523	7.05	21.14
190	45,500	423,232	42,564	2,536	294	2,830	6.65	39,734	93.55	10.06	87.33	9.35	44,300	64,873	146.44	
191	4,800	86,644	10,667	640		640	6.00	10,027	222.22	12.31	208.90	11.57	4,800	19,069	397.27	
192	20,000	64,677	5,656	339		339	6.00	5,317	28.28	8.75	26.59	8.22	20,000	3,913	19.57	8.71
193	181,200	346,650	72,215	3,798	8,902	12,700	17.59	59,515	39.85	20.83	32.85	17.17	181,200	69,177	38.18	1.67
194	100,000	565,321	58,784	3,424	1,702	5,126	8.72	53,658	58.78	10.40	53.66	9.47	100,000	71,281	71.28	
195	10,000	60,000	4,696	281		281	5.98	4,415	46.96	7.83	44.15	7.36	10,000	2,496	24.96	22.00
196	100,000	447,742	50,789	2,850	3,289	6,139	12.09	44,650	50.79	11.34	44.65	9.97	100,000	50,992	50.99	
197	200,000	259,093	33,032	1,839	2,379	4,218	12.77	28,814	16.52	12.71	14.41	11.12	200,000	[1] 27,083	−13.54	30.06
198	50,000	98,281	7,727	463		463	5.99	7,264	15.45	7.86	14.53	7.39	50,000	4,753	9.51	5.94
199	27,600	41,016	6,100	363	45	408	6.69	5,692	22.10	14.87	20.62	13.88	27,600	2,852	10.33	11.77
200	50,000	54,161	7,930	468	119	587	7.40	7,343	15.86	14.64	14.69	13.56	50,000	1,114	2.23	13.63
201	25,000	45,717	5,027	301		301	5.99	4,726	20.10	11.00	18.91	10.34	25,000	[1] 2,728	−10.91	31.01
202	59,250	127,542	9,990	439		439	4.39	9,551	16.86	7.83	16.12	7.49	59,250	14,251	24.47	

[1] Loss

[2] 11 months.

[3] 9 months.

[4] 8 months.

CODE is-B

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Berkley Machine Works, Inc	Norfolk, Va	17750048	26. Confer, Smith & Co	Hamburg, Pa	12751960
2. Standard Foundry Co	Buffalo, N.Y	7751387	27. Montana Iron Works	Butte, Mont	41750792
3. James T. Clark Co	Newark, N.J	11756372	28. Fay Kultgen Foundry Co	St. Joseph, Mo	31750205
4. The Summit Foundry Co	Akron, Ohio	23750453	29. The American Foundry & Casting Co	Dayton, Ohio	20751075
5. The Moore Brothers Co	Elizabeth, N.J	11756983	30. The Advance Foundry Co	Dayton, Ohio	20751202
6. Wallace Mfg. Co	Frankfort, Ind	25750331	31. St. Louis Axle Co	St. Louis, Mo	36750093
7. Craig Foundry Co., Inc	Brooklyn, N.Y	4750105	32. The W. W. Sly Mfg. Co	Cleveland, Ohio	23750366
8. Park Mfg. Co	Charlotte, N.C	57750315	33. The Crucible Steel Casting Co	Cleveland, Ohio	23750930
9. Grant Bros. Foundry Co	Detroit, Mich	30750339	34. Campbell and Kelly, Inc	Tonopah, Nev	47751225
10. James J. Lacy Co	Baltimore, Md	16750087	35. Winona Machine and Foundry Co	Winona, Minn	34750388
11. Eagle Iron Foundry Co., Inc	Salem, Mass	1753766	36. Coast Foundry Co	San Francisco, Calif	47750260
12. Fleming Foundry Co	Springfield, Mass	1753766	37. The F. E. Widder Co	Canton, Ohio	23750818
13. Fairhaven Iron Foundry Co	Fairhaven, Mass	1753799	38. L. Brayton Foundry Co	Riverpoint, R.I	8750606
14. Lambertville Iron & Steel Co	Lambertville, N.J	11756926	39. Capitol Brass Works	Detroit, Mich	30750170
15. Illinois Foundry & Machine Co	Belleville, Ill	29750234	40. Joubert and Goslin Machine & Foundry Co	Birmingham, Ala	61750328
16. The Leslie Co	Lyndhurst, N.Y	11756922	41. New England Butt Co	Providence, R.I	8751166
17. Foran Foundry & Mfg. Co	Flemington, N.J	11756616	42. Semi Steel Test Foundry Co	Chicago, Ill	26750290
18. Kalamazoo Foundry & Machine Co	Kalamazoo, Mich	31750303	43. Christe Kline Forge Co	Detroit, Mich	30750445
19. Elizabeth Street Foundry	Chicago, Ill	26750741	44. The Manufacturer's Foundry Co	Waterbury, Conn	8751064
20. Morrison Foundry Co	Newark, N.J	11756990	45. Weller Hardware and Foundry Co	Horseheads, N.Y	7750114
21. The Adams Co	Dubuque, Iowa	35750385	46. American Foundry and Construction Co	Pittsburgh, Pa	15752816
22. Wisconsin Aluminum Foundry Co	Manitowoc, Wis	32752328	47. Ross-Weehan Foundries	Chattanooga, Tenn	55751267
23. Simms Foundry Co	Racine, Wis	32752831	48. Valley Iron Works	Williamsport, Pa	14750869
24. Foundry and Machine Products Co	Detroit, Mich	30750317	49. Schafer Mfg. Co	Berlin, Wis	32753006
25. Jackson & Church Co	Saginaw, Mich	30750424	50. Aylward Sons Co	Nunah, Wis	32752969

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE is-B—Continued

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
51. Punxsutawney Foundry & Machine Co	Punxsutawney, Pa	15752096	127. Anderson Foundry & Machine Works	Anderson, Ind	24750787
52. Germann Bronze Co	Erie, Pa	15750810	128. Bedford Foundry & Machine Co., Inc	Bedford, Ind	24750744
53. Superior Manufacturing Co	Bessemer, Ala	61750517	129. Lufkin Foundry Machine Co	Lufkin, Tex	44751715
54. The Union Iron Works Co	Selma, Ala	61750548	130. Wabash Foundry Co	Wabash, Ind	24750735
55. A. Botter's Sons	Chicago, Ill	26750643	131. The Mahoning Fouudry Co	Youngstown, Ohio	23752487
56. Coshocton Iron Co	Monongahela, Pa	15750132	132. Home Industry Iron Works	Mobile, Ala	61750306
57. Poteau Foundry & Machine Co	Kansas City, Mo	37751129	133. The Akron Foundry Co	Akron, Ohio	23750486
58. Klipper Manufacturing Co	Beaver Dam, Wis	32750355	134. The Peerless Foundry Co	Indianapolis, Ind	24751126
59. The Meech Foundry & Casting Co	Cleveland, Ohio	23750353	135. F. Ferguson & Son	Hoboken, N. J	11756669
60. Federal Malleable Co	West Allis, Wis	32751928	136. Barlow Foundry, Inc	Newark, N. J	11756212
61. Olpmpic Foundry Co	Seattle, Wash	45750472	137. Lodge Mfg. Co	South Pittsburg, Pa	55750546
62. Ajax Enameling & Foundry Co	Battle Creek, Mich	30750071	138. North Manchester Foundry Co	N. Manchester, Ind	24750765
63. American Foundry & Mfg. Co	St. Louis, Mo	36750359	139. Sweet & Doyle Foundry & Machine Co	Green Island, N. Y	5750653
64. The Davis Foundry, Inc	Hornell, N. Y	7750658	140. Santa Fe Foundry Co	Richmond, Calif	47751631
65. Pocahontas Foundry & Machine Co	Keystone, W.Va	19750193	141. Kansas City Foundry Co	Kansas City, Kans	38951599
66. Salem Iron Foundry, Inc	Salem, Mass	1752949	142. Erie Foundry Co	Rochester, N. Y	7751110
67. The City Foundry Co	Cleveland, Ohio	23750929	143. P. David Co	San Francisco, Calif	47750358
68. Queen City Foundry Co	Denver, Colo	42751378	144. Commercial Foundry Co	St. Louis, Mo	36751154
69. Fuller Iron Works	Providence, R.I.	8750596	145. Automobile Crank Shaft Corporation	Detroit, Mich	30750070
70. Wollaston Foundry Co	Quincy, Mass	1751509	146. Barry & Zecher Co	Lancaster, Pa	13750488
71. Buckeye Products Co	Cincinnati, Ohio	20750956	147. Green Bay Foundry & Machine Works	Green Bay, Wis	32751965
72. Wm. Adams Foundry Co	Philadelphia, Pa	12751532	148. Brighton Foundry Co	Chicago, Ill	26751162
73. Broadway Iron Foundry Co	Cambridge, Mass	1751533	149. Peninsula Iron Works	Portland, Oreg	46750879
74. The Hennessy Foundry Co	Springfield, Ohio	20751480	150. Superior Iron Works Co	Superior, Wis	33750437
75. M. L. Oberdorfer Brass Co	Syracuse, N.Y	6750585	151. The Woodard Machine Co	Wooster, Ohio	23251618
76. Menomonee Falls Mfg. Co	Menomonee Falls, Wis	32751445	152. Enterprise Foundry Co	San Francisco, Calif	47750473
77. Greenmount Iron & Mfg. Co	Baltimore, Md	16750747	153. Monarch Foundry Co., Inc	Stockton, Calif	47750494
78. T. B. Harkins Foundry Co	Bristol, Pa	12752554	154. Se Soto Foundry & Machine Co	Mansfield, La	62750446
79. E. E. Brown & Co., Inc	Philadelphia, Pa	12753100	155. The Central Foundry Supply Co	Columbus, Ohio	22750244
80. The Standard Brass Foundry Co	Cleveland, Ohio	23750969	156. The Etna Machine Co	Toledo, Ohio	21750899
81. The Duplex Mfg. & Foundry Co	Elyria, Ohio	23751605	157. Mississippi Foundry & Machine Co	Jackson, Miss	61750823
82. The Allyne-Ryan Foundry Co	Cleveland, Ohio	23752102	158. Menzel & Jeffery Co	Minneapolis, Minn	34751699
83. Pevey Foundry Co., Inc	Lowell, Mass	1750109	159. The Loomis Machine Co	Tiffin, Ohio	21750238
84. L. W. Pond Machine & Foundry Co	Worcester, Mass	1750460	160. Hardie Lynes Mfg. Co	Birmingham, Ala	61750287
85. Frederick Kahl Iron Foundry	Detroit, Mich	30751168	161. The H. V. Dockray Brass & Iron Co	Zanesville, Ohio	22750263
86. Chicago Foundry Co	Chicago, Ill	26753990	162. The Ohio Forge Co	Cleveland, Ohio	23750242
87. Caroline Foundry Co	Baltimore, Md	16750822	163. The Atlas Brass Foundry Co	Columbus, Ohio	22750019
88. Perth Amboy Foundry & Machine Co	Perth Amboy, N. J	11757281	164. The Dayton Castings Co	Dayton, Ohio	20750688
89. Joplin Foundry Co	Joplin, Mo	37750887	165. Lewistown Foundry & Machine Co	Lewistown, Pa	13750757
90. Greenlee Foundry Co	Chicago, Ill	26752278	166. The Broadway Foundry Co	Cleveland, Ohio	23752418

91. The Smith-Matthews Foundry Co	Detroit, Mich	30750689	167. Bush Foundry & Metal Wheel Co	Quincy, Ill	28751175
92. Gulf Machine Works	Pensacola, Fla	60750156	168. The Atlantic Foundry Co	Akron, Ohio	23750544
93. Ruston Foundry & Machine Shops, Ltd	Alexandria, La	62750895	169. Pfaff and Kindall	Newark, N. J	11757262
94. Fox River Iron Co	Aurora, Ill	26750920	170. Quinn Wire & Iron Works	Boone, Iowa	35751211
95. Treadwell Engineering Co	Easton, Pa	14750366	171. Georgia Iron Works	Augusta, Ga	59750619
96. J. E. Williamson Co., Inc	Bellwood, Pa	13750374	172. A. Moresi Co., L't'd	Jeanerette, La	62750767
97. Myerstown Foundry & Mfg. Co	Myerstown, Pa	13750178	173. The Germania Supply & Foundry Co	Covington, Ky	52750068
98. Lewis Foundry & Machine Co	Pittsburgh, Pa	15750276	174. The Model Foundry & Machine Co	Findley, Ohio	21750530
99. Pugh Foundry Co	Kansas City, Mo	37750661	175. Barnhart-Davis Co	Warren, Pa	15750067
100. The Newport Foundry Co	Newport, Ky	52750056	176. Standard Foundary Co	Oakland, Calif	47751509
101. Flower-Stephens Mfg. Co	Detroit, Mich	30750312	177. Clark Foundry Co	Rumford, Maine	9750866
102. Springfield Facing Co	Springfield, Mass	1750418	178. The Columbus Malleable Iron Co	Columbus, Ohio	22750182
103. Malleable Iron Works	New Britain, Conn	8751097	179. Marion Gray Iron Foundry Co	Marion, Ind	24750817
104. Love Brothers Inc	Aurora, Ill	26750921	180. Light Manufacturing & Foundry Co	Pottstown, Pa	12750670
105. Tamaqua Mfg. Co	Tamaqua, Pa	12750843	181. Bethlehem Foundry & Machine Co	South Bethlehem, Pa	14750456
106. Gerard Iron Works	Philadelphia, Pa	12750531	182. Badger Foundry Company	Racine, Wis	32751380
107. Greenlie Halliday Co	New York, N. Y	3751122	183. National Foundry Company	Milwaukee, Wis	32752135
108. Somerville Iron Foundry Co	Somerville, Mass	1752281	184. North End Foundry Company	West Allis, Wis	32752147
109. Lakey Foundry & Machine Co	Muskegon, Mich	31750321	185. Hartwell Iron Works	Ruston, Texas	44751432
110. Ideal Foundry Co	Grand Rapids, Mich	31750285	186. The Humphrey Pipe & Foundry Co	Bellefontaine, Ohio	21751091
111. Carper Foundry Machine Co	Mabscott, W. Va	19750273	187. Central Foundry Co	Webb City, Mo	37751945
112. B. B. Noyes Co	Greenfield, Mass	1754096	188. Brady-Brass Co	Jersey City, N. J	11756215
113. The Waterbury Foundry Co	Waterbury, Conn	8751712	189. Los Angeles Foundry Co	Los Angeles, Calif	48750802
114. Ajax Brass & Iron Works	San Francisco, Calif	47750022	190. Mosher Manufacturing Co	Dallas, Texas	44751834
115. The Atlas Foundry Co	Cleveland, Ohio	23751193	191. Eagle Foundry Co	Belleville, Ill	29750418
116. The Columbiana Foundry Co	Columbiana, Ohio	23750628	192. Grand Rapids Foundry Co	Grand Rapids, Mich	33750636
117. Temple Malleable Iron & Steel Co	Temple, Pa	12750887	193. Sandy Hill Iron & Brass Works	Hudson Falls, N. Y	5750641
118. Irwin Foundry & Mine Car Co	Irwin, Pa	15751248	194. W. A. Jones Foundry & Machine Co	Chicago, Ill	26751066
119. Central Foundry Co	Hamilton, Ohio	20751087	195. The Mountain Iron Works Co	Denver Colo	42750690
120. The General Malleable Co	Warren, Ohio	23750798	196. Union Iron Works	Spokane Wash	45750399
121. The Duplex Mfg. & Foundry Co	Elyria, Ohio	23751944	197. The Carroll Foundry & Machine Co	Bucyrus, Ohio	21750995
122. American Foundry & Machine Co	Salt Lake City, Utah	41750001	198. Cohoes Iron Foundry & Machine Co	Cohoes, N.Y	5751136
123. The Manufacturers Iron Foundry Inc	Bridgeport, Conn	8751053	199. Johnson Foundry & Machine Co	Los Angeles	48750340
124. The Hill & Griffith Co	Cincinnati, Ohio	20751529	200. The Dennison Foundry & Machine Works	Dennison, Ohio	23752474
125. Lavelle Foundry Co	Anderson, Ind	24751432	201. Franklin Pipe & Foundry Co	Chicago, Ill	26750684
126. The Andrew Terry Co	Terryville, Conn	8750093	202. Butterworth & Lowe	Grand Rapids, Mich	31750736

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: STEEL PLANTS AND ROLLING MILLS

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE IS-C																
1	$100, 000	$1,240,096	$233, 728	$12, 153	$31, 170	$43, 323	18. 54	$190, 405	233. 73	18. 85	190. 41	15. 35	$100, 000	$190, 070	190. 07	43. 66
2	25, 000	30, 523	6, 461	370	276	646	10. 00	5, 815	25. 84	21. 17	23. 26	19. 05	25, 000	8, 719	34. 88	----------
3	200, 000	417, 459	108, 593	5, 285	20, 505	25, 790	23. 75	82, 803	54. 30	26. 01	41. 40	19. 84	200, 000	104, 120	52. 06	2. 24
4	300, 000	1, 553, 582	480, 856	22, 103	112, 472	134, 575	27. 99	346, 281	160. 29	30. 95	115. 43	22. 29	300, 000	256, 541	85. 51	74. 78
5	75, 000	295, 093	73, 115	3, 693	11, 563	15, 256	20. 87	57, 859	97. 49	24. 78	77. 15	19. 61	75, 000	88, 886	118. 51	----------
6	560, 500	961, 883	167, 389	8, 809	20, 566	29, 375	17. 55	138, 014	29. 86	17. 40	24. 62	14. 35	558, 500	265, 316	47. 51	----------
7	500, 000	1, 070, 704	442, 975	18, 376	136, 700	155, 076	35. 01	287, 899	88. 60	41. 37	57. 58	26. 89	500, 000	506, 761	101. 35	----------
8	287, 100	364, 772	151, 141	6, 202	47, 771	53, 973	35. 71	97, 168	52. 64	41. 43	33. 84	26. 64	287, 100	57, 499	20. 03	32. 61
9	51, 920	90, 840	30, 083	1, 412	6, 549	7, 961	26. 46	22, 122	57. 94	33. 12	42. 61	24. 35	51, 620	47, 987	92. 96	----------
10	36, 500	62, 191	27, 523	1, 136	[1] 8, 575	9, 711	35. 28	17, 811	75. 41	44. 26	48. 80	28. 64	35, 000	30, 760	87. 89	----------
11	150, 000	451, 752	147, 668	6, 819	34, 002	40, 821	27. 64	106, 847	98. 45	32. 69	71. 23	23. 65	150, 000	142, 056	94. 70	3. 75
12	350, 600	405, 225	91, 648	4, 784	14, 899	19, 683	20. 80	74, 965	27. 04	23. 36	21. 42	18. 50	350, 000	115, 814	33. 09	----------
13	32, 500	249, 340	43, 157	2, 299	4, 828	7, 127	16. 51	36, 030	132. 79	17. 31	110. 86	14. 45	32, 500	18, 598	57. 22	75. 57
14	60, 000	125, 446	34, 021	1, 689	5, 865	7, 554	22. 20	26, 467	56. 70	27. 12	44. 11	21. 10	60, 000	63, 345	105. 58	----------
15	100, 000	3, 160, 337	647, 477	33, 163	[2] 94, 705	127, 868	19. 75	519, 609	647. 48	20. 49	519. 61	16. 44	100, 000	28, 217	28. 22	619. 26
16	69, 885	94, 872	20, 491	1, 094	2, 255	3, 349	16. 34	17, 142	29. 32	21. 60	21. 53	18. 07	69, 885	27, 031	38. 68	----------
17	10, 000	41, 214	11, 768	594	1, 867	2, 461	20. 91	9, 307	117. 68	28. 55	93. 07	22. 58	10, 000	1, 381	13. 81	103. 87
18	12, 000	143, 369	41, 485	1, 977	8, 534	10, 511	25. 34	30, 974	345. 70	28. 94	258. 12	21. 60	12, 000	43, 522	362. 61	----------
19	171, 800	326, 583	124, 179	5, 571	31, 326	36, 897	29. 71	87, 282	72. 28	38. 02	50. 80	26. 73	182, 300	103, 664	56. 86	15. 42
20	600, 000	1, 113, 942	404, 543	17, 708	109, 402	127, 110	31. 42	277, 433	67. 42	36. 32	46. 24	24. 91	600, 000	303, 003	50. 50	16. 92
21	22, 700	27, 514	6, 912	377	654	1, 031	14. 85	5, 911	30. 58	25. 23	26. 04	21. 48	22, 700	3, 238	14. 26	16. 32
22	40, 000	126, 512	94, 656	3, 203	41, 265	44, 468	46. 97	50, 188	236. 64	74. 82	125. 47	39. 66	20, 000	78, 805	394. 03	----------
23	150, 000	1, 161, 973	1, 003, 233	32, 200	466, 351	498, 551	49. 69	504, 682	668. 82	86. 34	336. 45	43. 43	150, 000	141, 069	94. 04	574. 78
24	291, 900	5, 322, 426	3, 807, 310	129, 733	1, 645, 074	1, 774, 807	46. 62	2, 032, 503	1, 304. 31	71. 53	696. 30	38. 07	291, 900	3, 052, 969	1, 045. 89	258. 42
25	350, 700	1, 154, 431	835, 575	28, 124	366, 831	394, 955	47. 26	410, 620	238. 26	72. 35	125. 64	38. 06	350, 700	452, 473	129. 01	109. 25
26	400, 000	491, 501	168, 957	7, 511	43, 758	51, 269	30. 41	117, 688	42. 24	34. 37	29. 42	23. 97	400, 000	188, 052	47. 01	----------
27	200, 000	289, 226	122, 241	5, 000	36, 396	41, 396	33. 86	80, 845	61. 12	42. 26	40. 42	27. 95	200, 000	48, 847	24. 42	36. 70
28	50, 000	499, 603	136, 064	6, 639	25, 407	32, 046	23. 55	104, 018	272. 13	27. 23	208. 03	20. 82	50, 000	99, 670	199. 34	72. 79

29	100,000	264,971	70,414	3,416	13,445	16,861	23.94	53,553	70.41	26.57	53.55	20.21	150,000	39,491	26.32	44.09
30	150,000	395,245	86,025	4,410	12,525	16,935	19.69	69,090	57.35	21.76	46.06	17.48	150,000	117,973	78.64	------------
31	100,000	603,042	226,142	8,754	80,237	88,991	39.35	137,151	226.14	37.50	137.15	22.74	100,000	346,703	346.70	------------
32	594,700	436,142	93,955	4,838	13,312	18,150	19.34	75,805	15.79	21.56	12.75	17.38	(3)	(3)	(3)	(3)
33	85,000	96,923	36,266	1,580	9,916	11,496	31.69	24,770	42.67	37.42	29.14	25.56	85,000	20,909	24.59	18.08
34	50,000	48,501	20,728	876	6,113	6,989	33.72	13,739	41.46	42.77	27.47	38.33	15,000	19,176	127.84	------------
35	1,500,000	3,377,927	927,068	44,917	178,437	223,354	24.09	703,715	61,80	27.44	46.91	20.83	1,500,000	720,647	48.04	13.76
36	260,400	579,845	288,730	11,001	105,376	116,377	40.30	172,353	110.82	49.79	66.18	29.72	102,600	213,350	208.14	------------
37	40,200	29,715	10,086	547	1,973	2,520	24.99	7,566	25.09	33.93	18.82	25.46	40,200	7,587	18.87	6.22
38	7,457,500	9,950,245	9,824,063	304,507	4,748,946	5,053,453	51.44	4,770,610	131.73	98.74	63.94	47.93	7,467,900	2,858,759	38.28	93.45

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[1] 11 months.

[2] 9 months.

[3] Not in business in 1916.

CODE Is-C

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. John Mohr & Sons	Chicago, Ill	26751782	20. Fort Pitt Bridge Works	Pittsburgh, Pa	15750393
2. The Biehl Iron Works	Reading, Pa	12751784	21. Balke & Co. Iron Works	Louisville, Ky	51750101
3. Stupp Bros. Bridge & Iron Co	St. Louis, Mo	36751259	22. Kidd Drawn Steel Co	Aliquippa, Pa	15750405
4. Broderick & Bascom Rope Co	St. Louis, Mo	36750800	23. Newport Rolling Mill Co	Newport, Ky	52750082
5. Eastern Bridge Structural Co	Worcester, Mass	1750958	24. Columbia Steel & Shafting Co	Pittsburgh, Pa	15752218
6. Athenia Steel Co	New York City, N.Y	2752462	25. Ludlum Steel Co	Watervliet, N.Y	5750857
7. Acme Steel Goods Co	Chicago, Ill	26751361	26. J. Wood & Bros Co	Philadelphia, Pa	12751514
8. The Massillion Bridge & Structure Co	Massillion, Ohio	23750991	27. Hofius Steel Equipment Co	Seattle, Wash	45750252
9. Gabriel Reinforcement Co	Detroit, Mich	30750342	28. Excelsior Steel Furance Co	Chicago, Ill	26751384
10. Mac Murray Steel Hoop Co	Chicago, Ill	26751362	29. Altoona Iron Co	Altoona, Pa	13750257
11. Crawfordsville Wire & Nail Co	Crawfordsville, Ind	25750049	30. National Rolling Mills Co	Vincennes, Ind	25750382
12. Meurer Steel Barrel Co	Long Island City, N.Y	4750659	31. Ohio Falls Iron Co	New Albany, Ind	25750299
13. Lyle Corrugated Culvert Co	Minneapolis, Minn	34750866	32. The Mahoning Valley Steel Co	Niles, Ohio	23752637
14. Eckels Nye Steel Co	Syracuse, N.Y	6750268	33. The Toledo Steel Casting Co	Toledo, Ohio	21750387
15. Riter Conley	Pittsburgh, Pa	15751490	34. Buffalo Pressed Steel Co	Buffalo, N.Y	7751616
16. Naumkeag Buffing Mach. Co	Beverly, Mass	1752186	35. Henry Disston & Sons Iron & Steel Works	Philadelphia, Pa	12751718
17. Philadelphia Steel & Wire Co	Camden, N.J	10750243	36. The Fort Wayne Rolling Mill Co	Fort Wayne, Ind	24751407
18. Hibben & Co.	Chicago, Ill	26752831	37. E. F. N. Rock Iron Co	Boston, Mass	1751517
19. Hidden Iron Construction Co	West Elizabeth, N.J	11756763	38. The Otis Steel Co	Cleveland, Ohio	23751263

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: AUTOMOBILES AND AUTO PARTS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE IS-3																
1	$297,600	$370,021	$68,558	$3,746	$6,096	$9,842	14.35	$58,716	23.04	18.43	19.73	15.87	$297,600	$57,600	19.35	3.69
2	409,244	242,969	75,393	3,493	17,169	20,662	27.41	54,731	18.42	31.03	13.37	22.53	110,600	53,925	48.76	----------
3	20,000	397,433	204,398	7,803	74,247	82,150	40.19	122,248	1,021.99	51.42	611.28	30.75	20,000	159,839	799.20	222.79
4	50,000	54,418	32,231	1,194	12,317	13,511	41.92	18,720	64.46	59.23	37.44	34.40	25,000	29,574	118.30	----------
5	23,100	23,100	4,000	240	--------	240	6.00	3,760	17.32	17.31	14.28	16.28	23,100	416	1.84	15.48
6	10,000	27,205	5,244	309	84	393	7.49	4,851	52.44	19.27	48.51	17.83	10,000	4,510	45.10	7.34
7	10,000	12,759	3,443	206	--------	206	5.98	3,237	34.43	26.98	32.37	25.37	10,000	12,430	124.30	----------
8	100,000	116,175	27,503	1,411	3,972	5,383	19.57	22,120	27.50	23.67	22.12	19.04	61,075	43,235	70.78	----------
9	193,300	208,589	68,450	3,231	[5] 14,588	17,819	26.03	50,631	35.41	32.81	26.19	24.27	114,350	20,986	18.35	17.06
10	75,000	75,425	19,707	1,005	2,950	3,955	20.07	15,752	26.38	26.13	21.00	20.88	73,660	[2] 4,364	−5.92	32.30
11	114,130	172,203	33,072	1,746	3,965	5,711	17.26	27,361	28.98	19.08	23.97	15.88	114,130	39,865	34.93	----------
12	41,500	41,500	9,054	492	846	1,338	14.78	7,716	21.82	21.82	18.59	18.59	41,500	13,434	32.37	----------
13	2,500	8,709	3,621	217	--------	217	5.99	3,404	144.84	41.58	136.16	39.09	2,500	2,757	110.28	34.56
14	1,000	28,109	5,976	349	147	496	8.30	5,480	597.60	21.26	548.00	19.49	1,000	6,350	635.00	----------
15	50,000	932,306	308,533	15,200	55,191	70,391	22.81	238,142	617.07	33.09	476.28	25.54	50,000	276,116	452.23	164.84
16	15,000	121,769	32,356	1,604	5,619	7,223	22.32	25,133	215.71	26.56	167.55	20.63	15,000	85,463	569.75	----------
17	50,000	92,646	53,188	1,968	20,380	22,348	42.01	30,840	106.38	57.41	61.68	33.20	25,000	33,129	132.52	----------
18	53,800	46,868	25,907	995	9,311	10,306	39.78	15,601	48.15	55.28	29.00	33.29	30,000	[2] 10,929	−36.43	84.58
19	100,000	118,110	21,492	1,155	2,233	3,388	15.76	18,104	21.49	18.18	18.10	15.32	100,000	15,227	15.23	6.26
20	2,500	61,531	21,679	999	5,024	6,023	27.78	15,656	867.16	35.23	626.24	25.44	2,500	18,424	736.96	130.20
21	45,000	45,000	19,342	825	5,583	6,408	33.13	12,934	42.98	42.98	28.74	28.74	45,000	5,274	11.72	31.26
22	550,000	572,094	452,640	14,949	203,477	218,426	48.25	234,214	82.30	79.12	42.58	40.94	550,000	297,167	54.03	28.27
23	200,000	64,089	31,793	1,260	10,785	12,045	41.03	18,748	15.90	49.61	9.37	20.25	5,000	62,198	1,243.96	----------
24	10,000	15,888	8,379	359	2,390	2,749	32.80	5,630	83.79	52.73	56.30	35.43	10,000	12,175	121.75	----------
25	30,100	34,253	5,945	353	51	404	6.80	5,541	19.75	17.35	18.41	16.17	30,100	10,441	34.70	----------
26	30,000	130,579	56,189	2,324	17,444	19,768	35.18	36,421	187.29	43.03	121.40	27.80	30,000	27,284	90.95	96.34
27	1,500,000	1,602,103	443,025	21,432	85,813	107,245	24.20	335,780	29.54	27.65	22.39	20.96	1,000,000	501,392	50.14	----------
28	1,500,000	1,165,864	320,364	15,535	61,221	76,756	23.95	243,608	21.36	27.47	16.24	20.91	1,250,000	57,580	4.61	16.75
29	400,000	370,372	63,424	3,367	7,293	10,660	16.81	52,764	15.85	17.12	13.19	14.25	150,000	17,558	11.73	4.12
30	10,000	103,745	19,017	1,026	1,917	2,943	15.48	16,074	190.17	18.33	160.74	15.49	10,000	33,917	339.17	----------

31	300,000	399,514	87,298	4,435	13,374	17,809	20.40	69,489	29.10	21.85	23.16	17.39	300,000	80,601	26.87	2.23
32	86,100	66,556	22,116	1,038	4,816	5,854	26.46	16,262	25.69	33.21	18.89	24.43	44,600	17,394	39.00	----------
33	50,000	65,858	43,252	1,531	17,711	19,242	44.50	24,010	86.50	65.67	48.02	36.46	50,000	34.714	69.43	17.07
34	25,000	22,916	6,661	336	732	1,068	16.03	5,593	26.64	29.07	22.37	24.41	(1)	(1)	(1)	(1)
35	20,000	20,000	9,915	439	2,422	2,861	28.86	7,054	49.57	49.57	35.27	35.27	20,000	14,322	71.61	----------
36	25,000	275,431	74,820	3,625	14,402	18,027	24.09	56,793	299.28	27.16	227.17	20.62	25,000	216,815	867.26	----------
37	305,300	214,535	62,746	3,014	12,511	15,525	24.74	47,221	20.55	29.25	15.47	22.01	175,900	65,464	37.22	----------
38	50,000	53,500	26,202	1,037	8,915	9,952	37.98	16,250	52.40	48.98	32.50	30.37	50,000	3,765	7.53	44.87
39	100,000	539,898	145,025	7,105	26,598	33,703	23.24	111,322	145.03	26.86	111.32	20.62	100,000	212,961	212.96	----------
40	23,000	149,150	58,996	2,525	16,899	19,424	32.92	39,572	256.50	39.55	172.05	26.53	23,000	56,605	246.11	10.39
41	50,000	54,748	10,528	592	635	1,227	11.65	9,301	21.06	19.23	18.60	16.99	50,000	[2] 1,150	−2.30	23.36
42	8,200	9,670	3,573	214	----------	214	5.99	3,359	43.57	36.95	40.96	34.74	6,200	5,918	95.45	----------
43	26,500	30,748	5,295	317	35	352	6.65	4,943	19.98	17.22	18.65	16.08	30,000	3,582	11.94	8.04
44	50,000	59,458	18,468	889	3,638	4,527	24.51	13,941	36.94	31.06	27.88	23.45	50,000	9,458	18.92	18.02
45	100,000	160,104	77,381	3,045	26,616	29,661	38.33	47,720	77.38	48.33	47.72	29.81	40,000	72,224	180.56	----------
46	25,000	70,282	27,584	1,195	7,667	8,862	32.13	18,722	110.34	39.25	74.89	26.64	25,000	55,332	221.33	----------
47	50,000	58,262	13,920	723	1,856	2,579	18.53	11,341	27.84	23.89	22.68	19.47	50,000	3,225	6.45	21.39
48	13,900	31,764	10,071	500	1,721	2,221	22.05	7,850	72.45	31.71	56.47	24.71	13,900	9,538	68.62	3.83
49	20,000	21,685	3,595	215	----------	215	5.98	3,380	17.97	16.58	16.90	15.59	20,000	1,685	8.43	9.54
50	5,000	27,699	5,561	328	86	414	7.44	5,147	111.21	20.08	102.94	18.58	5,000	6,102	122.04	----------
51	45,000	53,835	12,807	669	1,648	2,317	18.09	10,490	28.46	23.79	23.31	19.49	45,000	9,875	21.94	6.52
52	17,625	17,625	3,215	192	----------	192	5.97	3,023	18.24	18.24	17.15	17.15	12,500	1,049	8.39	9.85
53	36,450	72,119	10,834	633	268	901	8.32	9,933	29.72	15.02	27.25	13.77	36,450	[2] 2,743	−7.53	37.25
54	10,000	154,399	103,841	3,622	43,485	47,107	45.36	56,734	1,038.41	67.25	567.34	36.75	10,000	135,479	1,354.79	----------
55	271,880	377,700	110,105	5,267	22,319	27,586	25.05	82,519	40.49	29.15	30.35	21.85	100,000	133,663	133.66	----------
56	50,000	99,712	15,566	888	748	1,636	10.51	13,930	31.13	15.61	27.86	13.97	24,000	102,020	426.08	----------
57	20,000	36,772	12,455	613	2,512	3,125	25.09	9,330	62.27	33.87	46.65	25.37	20,000	16,604	83.02	----------
58	100,000	125,378	36,006	1,739	7,014	8,753	21.31	27,253	360.06	28.72	27.25	21.74	100,000	26,523	26.52	333.54
59	35,000	37,916	7,883	446	443	889	11.28	6,994	22.52	20.79	19.98	18.45	35,000	9,157	26.16	----------
60	150,000	177,914	27,266	1,490	2,381	3,871	14.20	23,395	18.18	15.33	15.60	13.15	150,000	4,195	2.80	15.38
61	30,000	----------	6,113	366	----------	366	5.99	5,747	20.38	----------	19.16	----------	28,000	18,911	67.54	----------
62	10,000	68,994	6,880	385	[3] 455	840	12.21	6,040	68.80	9.97	50.49	8.75	10,000	13,461	134.61	----------
63	30,000	46,063	6,962	406	184	590	8.47	6,372	23.21	15.11	21.24	13.83	30,900	4,733	15.32	7.89
64	50,000	60,638	25,319	1,080	7,315	8,395	33.16	16,924	50.64	41.75	33.85	27.90	50,000	18,980	37.96	12.68
65	5,000	14,818	4,941	271	414	685	13.86	4,256	98.82	33.28	85.12	28.72	5,000	[2] 1,805	−36.10	134.92
66	50,000	73,651	24,090	1,133	5,195	6,328	26.27	17,762	48.18	32.71	35.52	24.12	27,900	23,096	82.78	----------
67	600,000	605,419	205,453	9,253	[4] 51,232	60,485	29.44	144,968	34.24	33.94	24.16	23.95	5,000	24,564	491.28	----------
68	1,000	1,000	3,895	204	489	693	17.79	3,202	389.50	389.50	320.20	320.20	1,000	[2] 8,610	−861.00	1,250.50
69	7,000	9,171	4,491	242	454	696	15.50	3,795	63.73	48.97	54.21	41.28	7,000	2,211	31.59	32.14
70	50,000	75,646	14,636	704	2,897	3,601	24.60	11,035	29.27	19.35	22.07	14.59	30,500	40,326	132.22	----------
71	81,600	64,740	18,277	913	3,060	3,973	21.74	14,304	22.40	28.23	17.53	22.09	13,800	9,667	70.50	----------
72	50,000	227,231	30,209	1,731	1,351	3,082	10.20	27,127	60.42	13.29	54.25	11.94	50,000	55,583	111.17	----------
73	7,340	18,209	6,992	347	1,206	1,553	22.21	5,439	95.27	38.40	74.10	29.87	7,340	3,211	43.75	51.52
74	42,000	53,400	12,195	657	1,238	1,895	15.54	10,300	29.04	22.84	24.52	19.29	42,000	4,744	11.30	17.74
75	25,000	119,710	16,527	929	1,029	1,958	11.85	14,569	66.11	13.81	58.28	12.17	25,000	18,153	72.61	----------
76	15,680	34,792	3,822	229	----------	229	6.00	3,593	24.38	10.99	22.91	10.33	15,680	11,871	75.71	----------
77	1,843,900	2,488,448	281,924	10,858	[3] 10,473	21,331	7.57	260,593	15.28	11.33	14.13	10.47	1,843,900	282,014	15.29	----------
78	25,000	100,000	11,434	668	286	954	8.34	10,480	45.74	11.43	41.92	10.48	25,000	31,425	125.70	----------
79	20,000	43,667	3,511	210	----------	210	5.98	3,301	17.56	8.04	16.51	7.54	20,000	6,833	34.17	----------
80	684,900	755,441	305,731	12,812	92,186	104,998	34.34	200,733	44.64	40.47	29.31	26.57	572,850	178,742	31.20	13.44

[1] Not in business in 1916.
[2] Loss.
[3] 6 months.
[4] 5 months.
[5] 11 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: AUTOMOBILES AND AUTO PARTS—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is-3—Continued																
81	$200,000	$372,321	$56,711	$3,068	$5,573	$8,641	15.24	$48,070	28.35	15.23	24.03	12.91	$200,000	$100,211	50.10	----------
82	814,600	1,114,653	302,533	14,460	61,415	75,875	25.08	226,658	37.14	27.14	27.82	20.33	750,000	279,274	37.24	----------
83	13,000	21,019	3,978	238	--------	238	6.00	3,740	30.60	18.93	28.77	17.79	13,000	1,868	14.37	16.23
84	7,800	57,044	11,434	637	806	1,443	12.63	9,991	146.60	20.05	128.10	17.52	7,800	6,306	80.85	65.75
85	10,000	254,075	137,382	5,162	51,340	56,502	41.13	80,880	1,373.82	54.07	808.80	31.83	10,000	251,665	2,516.65	----------
86	25,000	36,019	26,168	1,060	8,498	9,558	36.53	16,610	104.67	72.65	66.44	46.12	25,000	22,675	90.70	13.97
87	10,000	54,809	17,850	856	3,568	4,424	24.79	13,426	178.50	32.57	134.26	24.49	10,000	9,829	98.29	80.21
88	10,000	13,344	5,164	273	607	880	17.05	4,284	51.64	38.70	42.84	32.11	10,000	1,819	18.19	33.45
89	33,000	101,494	79,594	2,677	34,977	37,654	47.31	41,940	241.19	78.42	127.09	41.32	33,000	64,337	194.96	46.23
90	2,496,940	2,576,265	923,320	40,744	244,249	284,993	30.86	638,327	36.98	35.84	25.56	24.78	2,496,940	949,848	38.04	----------
91	30,000	38,436	6,841	398	191	589	8.61	6,252	22.80	17.80	20.84	16.27	7,500	20,403	272.04	----------
92	37,400	30,000	5,441	326	10	336	6.18	5,105	14.55	18.14	13.65	17.02	37,500	7,844	20.92	----------
93	2,700,000	3,344,221	758,137	38,733	112,585	151,318	19.96	606,819	28.08	22.67	22.47	18.15	2,700,000	1,679,069	62.19	----------
94	500,000	864,372	261,596	12,324	56,180	68,504	26.19	193,092	52.32	30.26	38.62	22.34	500,000	299,455	59.89	----------
95	10,000	114,123	28,496	1,431	4,637	6,068	21.30	22,428	284.96	24.97	224.28	19.65	10,000	7,086	70.86	214.10
96	22,500	77,674	14,971	828	1,162	1,990	13.29	12,981	66.54	19.28	57.69	16.71	22,500	5,574	24.77	41.77
97	15,000	19,430	13,752	489	3,958	4,447	32.34	9,305	91.68	70.78	62.03	47.89	5,000	3,821	76.42	15.26
98	40,210	50,531	12,069	456	[3] 657	1,113	9.23	10,956	30.01	23.88	27.25	21.68	40,210	11,319	28.15	1.86
99	50,000	274,196	73,318	3,582	13,610	17,192	23.44	56,126	146.64	26.74	112.25	20.47	50,000	40,489	80.98	65.66
100	1,500,000	1,570,586	280,466	14,683	35,749	50,432	17.98	230,034	18.70	17.86	15.34	14.65	500,000	484,609	96.92	----------
101	50,000	50,000	46,091	1,496	21,154	22,650	49.14	23,441	92.18	92.18	46.88	46.88	10,000	19,076	190.76	----------
102	678,500	1,114,430	214,728	11,403	24,664	36,067	16.80	178,661	31.65	19.27	26.33	16.03	235,000	183,496	78.08	----------
103	20,000	16,324	3,684	221	--------	221	6.00	3,463	18.42	22.57	17.32	21.21	10,000	[2] 1,474	−14.74	33.16
104	10,000	15,904	4,736	271	208	479	10.11	4,257	47.36	29.78	42.57	26.77	10,000	4,426	44.26	3.10
105	45,500	39,785	10,258	533	1,370	1,903	18.55	8,355	22.55	25.78	18.36	21.00	25,000	7,314	29.26	----------
106	396,900	927,917	168,837	9,053	17,947	27,000	15.99	141,837	42.54	18.20	35.74	15.29	396,900	355,749	89.63	----------
107	9,900	9,950	5,072	258	766	1,024	20.19	4,048	51.23	50.97	40.89	40.68	5,000	[2] 655	−13.10	64.33
108	300,000	583,404	209,613	9,127	57,496	66,623	31.78	142,990	69.87	35.93	47.66	24.51	300,000	200,834	66.94	2.93
109	55,940	58,923	14,566	764	1,817	2,581	17.72	11,985	26.04	24.72	21.42	20.34	23,220	11,161	48.07	----------

110	50,000	50,000	13,863	693	2,313	3,006	21.68	10,857	27.73	27.73	21.71	21.71	25.000	24.171	96.68	----------
111	10,000	31,461	9,575	483	1,514	1,997	20.86	7,578	95.75	30.43	75.78	24.09	10,000	7,408	74.08	21.67
112	184,000	159,186	32,716	1,708	4,244	5,952	18.19	26,764	17.78	20.55	14.55	16.82	150,000	9,102	6.07	11.71
113	409,580	597,250	90,962	4,902	9,255	14,157	15.56	76,805	22.21	15.23	18.75	12.86	409,680	78,039	19.05	3.16
114	40,000	45,934	9,767	543	716	1,259	12.99	8,508	24.42	21.26	21.27	18.52	40,000	11,522	28.81	----------
115	400,000	934,875	224,171	11,330	35,323	46,653	20.81	177,518	56.04	23.98	44.38	18.99	400,000	342,629	85.66	----------
116	10,000	42,991	12,026	609	1,866	2,475	20.58	9,551	120.26	27.97	95.51	22.22	10,000	28,087	280.87	----------
117	184,800	320,112	69,476	3,619	9,151	12,770	18.38	56,706	37.60	21.70	30.69	17.71	184,800	104,500	56.55	----------
118	361,258	558,204	156,507	7,427	32,707	40,134	25.64	116,373	43.32	28.04	32.21	20.85	361,308	207,654	57.47	----------

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[2] Loss.

CODE Is-3

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Detroit Gear & Machine Co	Detroit, Mich	30750255	30. Gray Hawley Mfg. Co	Detroit, Mich	30750341
2. The Ohio Blower Co	Cleveland, Ohio	23751368	31. The Hartford Auto Parts Co	Hartford, Conn	8750713
3. The English & Mersick Co	New Haven, Conn	8750517	32. The Meteor Motor Co	Piqua, Ohio	20750635
4. Amesbury Body Co	Amesbury, Mass	1752252	33. H. Kaiser & Co., Inc	Philadelphia, Pa	12751753
5. Waterhouse & Freeman Mfg. Co	Newark, N. J	11757625	34. Parkersburg Mfg. Co	Parkersburg, Iowa	35750825
6. Generator Valve Co. Inc	Brooklyn, N. Y	4750145	35. Auto Cape Top Co	Chicago, Ill	26753324
7. Apex Electric Mfg. Co	Chicago, Ill	26751371	36. The Tillotson Mfg. Co	Toledo, Ohio	21750393
8. Jamestown Car Parts Mfg. Co. Inc	Jamestown, N. Y	7750856	37. The Universal Machine Co	Bowling Green, Ohio	21750409
9. Maccar Truck Co	Scranton, Pa	14750692	38. Corcoran Mfg. Co	Cincinnati, Ohio	20751165
10. Keystone Vehicle Co	Reading, Pa	12751791	39. The Ashtabula Bow Socket Co	Ashtabula, Ohio	23750308
11. Sewell Cushion Wheel Co	Detroit, Mich	30750664	40. Weaver Mfg. Co	Springfield, Ill	28751268
12. American Ball Co	Providence, R. I	8750123	41. The Peters Herron Dash Co	Columbus, Ohio	22750954
13. The Berkshire Rubber Co	Pittsfield, Mass	1751534	42. Staybestos Mfg. Co	Philadelphia, Pa	12750498
14. Rex Ignition Mfg. Co	New York, N. Y	3750924	43. Iron City Spring Co	Pittsburgh, Pa	15751894
15. Stromberg Motor Device Co	Chicago, Ill	26750507	44. The Coiled Wire Products Co	Toledo, Ohio	21750067
16. Perfex Radiator Co	Racine, Wis	32752928	45. Cotta Transmission Co	Rockford, Ill	26751978
17. Walker Carriage Co	Merrimac, Mass	1752797	46. Detroit Tire Carrier Co	Detroit, Mich	30750260
18. Miler Auto Engine Supply Co	Milwaukee, Wis	32751086	47. Bremer Mfg. Co	Chicago, Ill	26750102
19. Lavine Gear Co	Racine, Wis	32751730	48. Diebold Product Co	Cleveland, Ohio	23751467
20. The International Stamping Co	Chicago, Ill	26751139	49. Joseph F. O'Brien Mfg. Co	New York, N. Y	2752736
21. Durkee Atwood Co	Minneapolis, Minn	34750681	50. Becker Stutz Automobile Co	Boston, Mass	1752652
22. Chevrolet Motor Co. of St. Louis, Inc	St. Louis, Mo	36750551	51. Eco Mfg. Co	Boston, Mass	1750405
23. The Oakes & Dow Co	Boston, Mass	1750970	52. Lantz Carriage & Automobile Works	Muskogee, Okla	64751390
24. R. C. Fields Co	Waterbury, Conn	8750561	53. Boston Auto Gage Co	Boston, Mass	1752120
25. The Farnham Nelson Co	Jamaica Plain, Mass	1752915	54. Robert H. Hassler, Inc	Indianapolis, Ind	24751532
26. Evans Stamping & Plating Co	Taunton, Mass	1752605	55. Jos. N. Smith & Co	Detroit, Mich	30750650
27. Prudden Wheel Co	Lansing, Mich	30750601	56. England Mfg. Co	Detroit, Mich	30750284
28. The Raybestos Co	Bridgeport, Conn	8751370	57. Edwards Mfg. Co	Detroit, Mich	30750275
29. The Sayers & Scoville Co	Cincinnati, Ohio	20750849	58. Hoosier Auto Parts Co	Muncie, Indiana	24751049

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Is-3—Continued

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
59. Wm. J. Hughey & Son	Chicago, Ill	26751873	89. The Cincinnati Gear Co	Cincinnati, Ohio	20750011
60. Walker Mfg. Co	Racine, Wis	32751760	90. Paige-Detroit Motor Car Co	Detroit, Mich	30750576
61. Ashland Mfg. Co	Ashland, Ohio	2370276	91. Parsons Mfg. Co	Detroit, Mich	30751173
62. The Seiss Mfg. Co	West Toledo, Ohio	21751041	92. Simplex Manufacturing Co	Anderson, Ind	24750971
63. The Dayton Iron & Steel Co	Dayton, Ohio	20751383	93. The Haynes Automobile Co	Kokomo, Ind	24750855
64. The Atlas Mfg. Co	Fostoria, Ohio	21750007	94. Gemmer Mfg. Co	Detroit, Mich	30751297
65. The Ohio Top Co	Cincinnati, Ohio	20750162	95. Daniel Delaney & Son	Newark, N. J	11756465
66. Eclipse Mfg. Co	Indianapolis, Ind	26750866	96. Michigan Truck & Lumber Co	Holly, Mich	30750536
67. Chevrolet Motor Co. of Texas	Ft. Worth, Tex	44750748	97. The Hall-Thompson Co	Hartford, Conn	8750835
68. Denver Tire Service Co	New York, N. Y	2753677	98. Detroit Socket Co	Detroit, Mich	30751115
69. Auto Parts Exchange	Sacramento, Calif	47750092	99. Everitt Bros	Detroit, Mich	30750292
70. Auto Parts Mfg. Co	Milwaukee, Wis	32751070	100. Warner Gear Co	Muncie, Ind	24751160
71. Electrical Construction Co	Racine, Wis	32752814	101. General Motor Truck Co. of K. C	Kansas City, Mo	37751990
72. Marvel Carbretor Co	Flint, Mich	30750485	102. Wadsworth Mfg. Co	Detroit, Mich	30750757
73. W. R. Sherin Co	Milwaukee, Wis	32752830	103. Twin Fire Spark Plug Co	Detroit, Mich	30501795
74. Havana Mfg. Co	Havana, Ill	28750075	104. Western Body Co	San Francisco, Calif	47751106
75. Triple Action Spring Co	Chicago, Ill	26751568	105. The Columbus Auto Parts Co	Columbus, Ohio	22750210
76. Oldberg Mfg. Co	Detroit, Mich	30501434	106. Apperson Bros. Auto Co	Kokomo, Ind	24750408
77. Anderson Elc. Car Co	Detroit, Mich	30750083	107. The Cincinnati Auto Specialty Co	Cincinnati, Ohio	20751639
78. Goshen Buggy Top Co	Goshen, Ind	24750603	108. Beck & Corbitt Iron Co	St. Louis, Mo	36750607
79. The G. H. Dyer Co	Cambridge, Mass	1752210	109. The Reflex Ignition Co	Cleveland, Ohio	23752604
80. Detroit Pressed Steel Co	Detroit, Mich	30750270	110. National Spring Co	New Castle, Ind	24751274
81. New Haven Carriage Co	New Haven, Conn	8751115	111. P. J. Durham Co., Inc	New York, N. Y	3752779
82. Solisbury Wheel & Axel Co., Inc	Jamestown, N. Y	7750906	112. Andrew Murphy & Sons	Omaha, Nebr	39759754
83. Auto Hospital Company	Cleveland, Ohio	23751989	113. Muncie Gear Works	Muncie, Ind	24751646
84. The Fisher Auto Top Co	Norwalk, Ohio	21750132	114. The Brown Auto Carriage Co	Cleveland, Ohio	23750386
85. Holley Bros. Co	Detroit, Mich	30750392	115. Fedders Mfg. Co., Inc	Buffalo, N. Y	7751711
86. The Federal Gear Co	Cleveland, Ohio	23751401	116. H. & D. Co	Goodland, Ind	24750147
87. The Central Brass & Fixture Co	Springfield, Ohio	20751027	117. Imperial Wheel Co	Flint, Mich	30750412
88. Commercial Auto Body Co	Chicago, Ill	26753145	118. Mechanics Machine Co	Rockford, Ill	26751322

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: BOLTS AND NUTS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess profits tax (5)	Total tax (6)										
CODE IS-5																
1	$150,000	$394,066	$155,841	$6,518	$47,192	$53,710	34.46	$102,131	103.89	39.55	68.09	25.92	$150,000	$37,551	55.02	78.86
2	40,000	51,578	10,157	565	727	1,292	12.72	8,865	25.39	19.69	22.16	17.19	40,000	[1] 1,387	—3.45	24.84
3	19,600	28,759	7,317	394	745	1,139	15.57	6,178	37.33	25.44	31.52	21.48	19,600	8,204	41.86	------------
4	60,000	180,515	79,300	3,195	26,040	29,235	36.87	50,065	132.17	43.93	83.44	27.73	60,000	66,519	110.87	21.30
5	75,000	140,953	26,900	1,428	3,094	4,522	16.81	22,378	35.87	19.08	29.84	15.88	75,000	30,328	40.44	------------
6	47,430	88,414	45,516	1,764	16,100	17,864	39.25	27,652	95.96	51.48	57.88	31.28	47,430	33,805	71.27	24.69
7	100,000	224,197	38,476	2,095	3,553	5,648	14.68	32,828	38.48	17.16	32.83	14.64	100,000	116,120	116.12	------------
8	325,000	482,799	84,496	4,584	8,080	12,664	14.99	71,832	26.00	17.50	22.10	14.88	325,000	30,568	9.41	16.59
9	71,005	60,800	14,506	753	1,953	2,706	18.65	11,800	20.43	23.86	16.62	19.41	71,005	11,629	16.38	4.05
10	149,600	142,868	102,146	3,481	44,115	47,596	46.60	54,550	68.28	71.50	36.46	38.18	81,900	75,870	92.64	------------
11	150,000	729,543	380,414	14,243	143,021	157,264	4.13	223,150	253.61	52.14	148.77	30.59	150,000	234,233	156.16	97.45
12	5,000	18,253	10,145	414	3,230	3,644	35.92	6,501	202.90	55.58	130.02	35.62	5,000	12,166	243.32	------------
13	100,000	664,211	289,672	11,770	93,498	105,268	36.34	184,404	289.67	43.61	184.40	27.76	100,000	255,996	256.00	33.67
14	94,550	94,550	32,395	1,471	7,869	9,340	28.83	23,055	34.26	34.26	24.38	24.38	94,500	[1] 3,166	—3.35	37.61
15	26,000	48,971	18,055	816	4,454	5,270	29.19	12,785	69.44	36.86	49.17	26.11	26,000	28,758	110.60	------------
16	150,000	636,635	208,201	9,240	54,192	63,432	30.47	144,769	138.80	32.70	96.51	22.74	150,000	105,186	70.12	68.68
17	20,000	26,734	12,625	533	3,740	4,273	33.85	8,352	63.10	47.22	41.76	31.24	20,000	6,734	33.67	29.43
18	170,000	172,910	50,138	2,380	10,463	12,843	25.62	37,295	29.49	29.00	21.94	21.57	5,000	107,721	2,154.42	------------
19	95,000	116,511	29,735	1,510	4,567	6,077	20.44	23,658	31.30	25.52	24.90	20.30	95,000	21,379	22.50	8.80
20	620,000	1,584,467	502,618	23,324	113,873	137,197	27.30	365,421	81.07	31.72	58.94	23.06	620,000	365,387	58.93	22.14
21	750,000	1,273,827	990,185	32,911	441,633	474,544	47.92	515,641	132,02	77.73	68.75	40.47	750,000	253,430	33.79	98.23
22	20,000	38,000	12,350	606	2,245	2,851	23.09	9,499	61.75	32.50	47.50	25.00	20,000	9,858	49.29	12.46
23	222,500	559,390	196,127	8,770	[2] 49,949	58,719	29.94	137,408	88.15	35.06	61.78	24.56	222,500	302,617	136.01	------------
24	30,000	34,793	11,386	520	2,199	2,719	23.88	8,667	37.95	32.72	28.89	24.91	30,000	11,352	37.84	.11
25	25,000	250,105	28,155	1,657	529	2,186	7.76	25,969	112.62	11.26	103.88	10.38	25,000	81,311	325.24	------------
26	480,000	870,059	767,423	24,718	355,447	380,165	49.54	387,258	159.88	88.21	80.68	44.51	480,000	633,396	131.96	27.92
27	225,000	305,080	196,009	6,863	81,616	88,479	45.14	107,530	87.12	64.25	47.79	35.25	225,000	158,304	70.36	16.76
28	50,000	149,987	60,304	2,527	18,184	20,711	34.34	39,593	120.61	40.21	79.19	26.40	20,500	65,283	318.45	------------
29	6,910	31,900	7,201	407	414	821	11.40	6,380	104.21	22.57	92.33	20.00	6,900	14,916	216.17	------------
30	39,800	330,679	265,293	8,783	118,894	127,677	48.12	137,616	666.56	80.23	345.77	41.62	39,800	180,379	453.21	213.35
31	1,000,000	1,069,956	859,826	28,226	389,377	417,603	48.57	442,223	85.98	80.36	44.22	41.33	400,000	488,945	122.24	------------
32	55,000	115,504	30,519	1,531	4,990	6,521	21.37	23,998	55.49	26.42	43.63	20.78	55,000	33,122	60.22	------------

[1] Loss.

[2] Nine months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: BOLTS AND NUTS—Continued

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess profits tax (5)	Total tax (6)										
CODE IS-5—Continued																
33	$24,800	$55,672	$29,460	$1,179	$9,795	$10,974	37.25	$18,486	118.79	52.92	74.54	33.21	$24,800	$42,747	172.37	
34	250,000	269,687	77,292	3,662	16,247	19,909	25.76	57,383	30.92	28.66	22.95	21.28	250,000	20,088	8.04	22.88
35	20,000	20,000	5,092	305	41	346	6.80	4,746	25.46	25.46	23.73	23.73	13,400			
38	92,032	123,389	14,676	844	607	1,451	9.89	13,225	15.95	11.89	14.37	10.72	92,703	16,775	18.10	
37	12,200	25,000	6,025	339	358	697	11.57	5,328	49.39	24.10	43.67	21.31	9,800	2,562	26.14	23.25
38	86,600	188,916	19,015	1,140		1,140	6.00	17,875	21.96	10.07	20.64	9.46	60,000	67,943	113.24	
39	475,000	814,417	115,618	6,342	9,916	16,258	14.06	99,360	24.34	14.20	20.92	12.20	475,000	247,777	52.16	

CODE IS-5

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Atlantic Screw Works	Hartford, Conn.	8750128	21. Townsend Company	New Brighton, Pa.	15753014
2. The Automobile Screw Products Company	Cleveland, Ohio	23750578	22. Phoenix Caster Company	Indianapolis, Ind.	24750592
3. The Barkelew Metal Products Company	Dayton, Ohio	20751162	23. The Foster Bolt & Nut Mfg. Company	Cleveland, Ohio	23750835
4. Moran Bolt and Nut Mfg. Company	St. Louis, Mo.	36751470	24. Ross Machine Co.	La Fayette, Ind.	25756606
5. Pine Iron Works Company	Pine Forge, Pa.	12752271	25. The Defiance Screw Machine Products Co.	Defiance, Ohio	21750465
6. New England Screw Company	Boston, Mass.	1752385	26. The Columbus Bolt Works Co.	Columbus, Ohio	22750215
7. Standard Screw Products Company	Detroit, Mich.	30750684	27. Wrought Washer Mfg. Co.	Milwaukee, Wis.	32752346
8. Judson L. Thompson Mfg. Company	Waltham, Mass.	1751831	28. Detroit Nut Co.	Detroit, Mich.	30750866
9. Pittsburgh Rivet Company	Pittsburgh, Pa.	15750935	29. Jerguson Gage & Valve Co.	Boston, Mass.	1750647
10. Standard Nut & Bolt Company	Valley Falls, R. I.	8751513	30. Chicago Nut Co.	Chicago, Ill.	26750381
11. Rhode Island Tool Company	Providence, R. I.	8751405	31. Gary Screw & Bolt Co.	Gary, Ind.	24751377
12. Niagara Screw Company	Buffalo, N. Y.	7751534	32. Mac-It Parts Company	Lancaster, Pa.	13750014
13. Pawtucket Mfg. Company	Pawtucket, R. I.	8751247	33. The Brightman Nut Mfg. Co.	Sandusky, Ohio	21750052
14. Keystone Screw Company	Philadelphia, Pa.	12751691	34. Champion Manufacturing Co.	Chicago, Ill.	26751290
15. The Peck & Young Mfg. Company	Forestville, Conn.	8751346	35. Muncie Cap and Set Screw Co.	Muncie, Ind.	24751383
16. Acme Machinery Company	Cleveland, Ohio	23751912	36. The Ohio Nut & Bolt Co.	Berea, Ohio	23751889
17. New England Bolt Company	Everett, Mass.	1752108	37. The Atlantic Mfg. Co.	Bridgeport, Conn.	8750111
18. Pheoll Manufacturing Company	Chicago, Ill.	26752586	38. Screw Machine Products Corp.	Providence, R. I.	8751422
19. Faultless Caster Company	Evansville, Ind.	25750685	39. Southern California Iron & Steel Co.	Los Angeles, Calif.	48750575
20. Flannery Bolt Company	Pittsburgh, Pa.	15750797			

IRON AND STEEL INDUSTRIES: BRASS GOODS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the per cent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
Code Is-6																
1	$172, 000	$551, 458	$160, 036	$7, 749	$30, 884	$38, 633	24. 14	$121, 403	93. 04	29. 02	70. 58	22. 01	$178, 000	$224, 789	126. 28	----------
2	20, 000	22, 694	4, 498	269	--------	269	5. 98	4, 229	22. 48	19. 82	21. 14	18. 63	10, 000	8, 052	80. 52	----------
3	50, 000	89, 545	35, 002	1, 518	9, 362	10, 880	31. 08	24, 122	70. 00	39. 09	48. 24	26. 94	50, 000	89, 459	178. 90	----------
4	30, 000	33, 716	6, 559	375	299	674	10. 28	5, 885	21. 86	19. 45	19. 61	17. 45	30, 000	7, 791	25. 97	----------
5	14, 850	15, 978	3, 919	235	--------	235	5. 99	3, 684	26. 39	24. 51	24. 81	23. 05	15, 100	1, 158	7. 67	18. 72
6	50, 000	82, 059	26, 858	1, 269	5, 700	6, 969	25. 94	19, 889	53. 71	32. 73	39. 78	24. 23	50, 000	26, 295	52. 59	1. 12
7	400, 000	643, 946	186, 062	8, 899	37, 729	46, 628	25. 06	139, 434	46. 51	28. 89	34. 85	21. 65	400, 000	162, 269	40. 57	5. 94
8	35, 000	167, 064	40, 971	2, 089	6, 138	8, 227	20. 08	32, 744	117. 06	24. 52	93. 52	19. 60	35, 000	40, 256	115. 01	2. 05
9	300, 000	1, 489, 555	286, 012	14, 828	38, 877	53, 705	18. 77	232, 307	95. 34	19. 20	77. 43	15. 59	300, 000	87, 313	29. 10	66. 24
10	650, 000	951, 849	161, 934	8, 650	19, 424	28, 074	17. 34	133, 860	24. 91	17. 01	20. 59	14. 06	650, 000	66, 371	10. 21	14. 70
11	80, 000	94, 293	16, 670	908	1, 540	2, 448	14. 69	14, 222	20. 84	17. 68	17. 78	15. 08	80, 000	9, 849	12. 31	8. 53
12	100, 000	283, 979	66, 452	3, 259	8, 925	12, 184	18. 33	54, 268	66. 45	23. 40	54. 27	19. 10	335, 000	110, 000	32. 84	33. 61
13	50, 000	54, 244	28, 928	1, 207	8, 810	10, 017	34. 62	18, 911	57. 86	53. 33	37. 82	34. 86	50, 000	5, 325	10. 65	47. 21
14	11, 700	79, 652	19, 944	1, 021	2, 916	3, 937	19. 74	16, 007	170. 41	25. 04	136. 81	20. 09	11, 700	10, 270	87. 78	82. 63
15	139, 300	288, 087	78, 043	3, 820	14, 209	18, 029	23. 10	60, 014	56. 02	27. 09	43. 08	20. 83	67. 200	45, 189	67. 25	----------
16	212, 100	371, 912	153, 956	6, 408	47, 144	53, 552	34. 78	100, 404	72. 58	41. 39	47. 34	26. 99	233, 000	79, 851	34. 27	38. 31
17	1, 500, 000	1, 541, 786	300, 493	15, 732	38, 291	54, 023	17. 98	246, 470	20. 03	19. 49	16. 46	16. 00	728, 750	49, 477	6. 79	13. 24
18	40, 500	38, 804	13, 445	640	2, 777	3, 417	25. 41	10, 028	33. 20	34. 62	24. 76	25. 84	13, 950	10, 085	72. 29	----------
19	105, 750	210, 519	70, 920	3, 253	16, 690	19, 943	28. 12	50, 977	67. 07	33. 69	48. 20	24. 22	95, 750	53, 629	56. 01	11. 06
20	45, 000	56, 235	14, 040	723	1, 980	2, 703	19. 25	11, 337	31. 20	24. 97	25. 19	20. 16	50, 000	10, 740	21. 48	9. 72
21	110, 000	126, 306	25, 992	1, 395	2, 750	4, 145	15. 95	21, 847	23. 63	20. 58	19. 86	17. 30	110, 000	13, 097	11. 91	11. 72
22	10, 000	29, 366	8, 684	450	1, 175	1, 625	18. 71	7, 059	86. 84	29. 57	70. 59	24. 03	10, 000	5, 496	54. 96	31. 88
23	100, 000	138, 518	60, 235	2, 478	18, 919	21, 397	35. 52	38, 838	60. 24	43. 48	38. 84	28. 04	100, 000	56, 992	56. 99	3. 25
24	50, 000	146, 213	23, 349	1, 310	1, 508	2, 818	12. 07	20, 531	46. 70	15. 97	41. 06	14. 04	50, 000	20, 744	41. 49	5. 21
25	20, 000	62, 898	15, 287	837	1, 325	2, 162	14. 15	13, 125	76. 44	24. 30	65. 62	20. 87	20, 000	19, 458	97. 29	----------
26	54, 000	104, 388	34, 208	1, 581	7, 852	9, 433	27. 58	24, 775	63. 35	32. 77	45. 88	23. 73	54, 000	40, 109	74. 28	----------
27	10, 000	81, 388	17, 322	924	1, 922	2, 846	16. 43	14, 476	173. 22	21. 28	144. 76	17. 79	10, 000	61, 947	619. 47	----------
28	20, 000	66, 150	10, 380	597	394	991	9. 55	9, 389	51. 90	15. 69	46. 95	14. 19	20, 000	3, 681	18. 41	33. 49
29	25, 000	43, 174	8, 217	473	332	805	9. 80	7, 412	32. 87	19. 03	29. 65	17. 17	25, 000	5, 981	23. 92	8. 95
30	20, 000	85, 005	24, 607	1, 207	4, 480	5, 687	23. 11	18, 920	123. 04	28. 75	94. 60	22. 26	20, 000	24, 131	120. 66	2. 38

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: BRASS GOODS—Continued

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE Is-6—Continued																
31	$950	$7,000	$3,554	$212	$12	$224	6.30	$3,330	374.11	50.77	350.52	47.57	$950	$2,795	294.21	----------
32	100,000	186,984	79,210	3,283	24,488	27,771	35.06	51,439	79.21	42.36	51.44	27.51	100,000	35,470	35.47	43.74
33	5,000	12,308	3,907	234	--------	234	5.99	3,673	78.11	31.74	73.46	29.84	5,000	7,218	144.36	----------
34	49,900	74,640	13,336	756	723	1,479	11.09	11,857	26.72	17.87	23.76	15.89	49,900	13,591	27.24	----------
35	25,000	71,955	13,124	736	846	1,582	12.05	11,542	40,48	18.24	44.39	16.04	26,000	11,904	45.78	4.70
36	29,629	33,392	21,792	792	8,585	9,377	43.03	12,415	73.55	65.26	41.90	37.18	32,380	8,899	2.78	70.77
37	40,000	107,020	33,489	1,594	[2] 6,925	8,519	25.44	24.970	83.72	31.29	62.43	23.33	40,000	19,439	48.60	35.12
38	25,000	23,399	7,767	387	1,282	1,669	21.49	6,098	31.07	33.19	24.39	25.06	20,000	1,903	9.51	21.56
30	200,000	232,679	57,055	2,895	8,782	11,677	20.47	45,378	28.53	24.52	22.69	19.50	200,000	44,885	22.44	6.09
40	60,000	89,[illegible]51	28,094	1,341	5,709	7,050	25.10	21,044	46.82	31.30	35.07	23.45	60,000	54,741	91.24	----------
41	60,000	483,344	108,717	5,219	[3] 16,614	21,833	20.08	86,884	181.19	22.49	144.81	17.98	60,000	116,222	193.70	----------
42	50,000	80,170	14,621	797	1,331	2,128	14.55	12,493	29.24	18.24	24.99	15.58	50,000	9,196	18.39	10.85
43	15,000	64,749	23,768	1,072	5,891	6,963	29.30	16,805	158.45	36.71	112.03	25.95	15,000	12,742	84.95	73.50
44	122,600	93,673	28,766	1,360	6,063	7,423	25.81	21,343	23.46	30.71	17.41	22.79	98,300	69,039	70.23	----------
45	200,000	809,050	303,189	13,137	84,227	97,364	32.11	205,825	151.59	37.47	102.91	25.44	200,000	330,993	165.50	----------
46	3,400,000	2,508,088	660,108	31,826	129,661	161,487	24.46	498,621	19.42	26.32	14.67	19.88	3,500,000	824,222	23.55	----------
47	400.000	3,634,853	1,413,141	60,121	411,102	471,223	33.35	941,918	353.29	38.88	235.48	25.91	400,000	5,297,024	1,324.26	----------
48	50,000	325,259	211,241	7,447	87,114	94,561	44.76	116,680	422.48	64.95	233.36	35.87	50,000	93,997	187.99	234.49
49	50,000	177,784	33,782	1,785	4,023	5,808	17.19	27,974	67.56	19.00	55.95	15.73	50,000	35,228	70.46	----------
50	155,000	161,312	49,171	2,302	10,800	13,102	26.65	36,069	31.72	30.48	23.27	22.36	150,000	29,772	19.85	11.87
51	20,000	33,381	10,387	517	1,754	2,271	21.86	8,116	51.93	31.12	40.58	24.31	20,000	23,433	117.16	----------
52	39,500	47,039	6,211	372	--------	372	5.99	5,839	15.72	13.20	14.78	12.41	35,550	9,165	25.78	----------
53	30,000	30,000	3,475	208	--------	208	5.99	3,267	11.58	11.58	10.89	10.89	30,000	175	.58	11.00
54	2,000	2,000	3,538	209	--------	209	5.91	3,329	176.90	176.90	166.45	166.45	2,000	[1] 763	−38.15	215.05
55	25,000	18,050	9,568	408	2,766	3,174	33.17	6,391	38.27	53.00	25.57	35.42	6,000	2,858	47.63	----------
56	60,000	80,207	16,394	894	1,488	2,382	14.52	14,012	27.32	20.43	23.35	17.46	60.000	22,608	37.68	----------
57	2,000	22.519	6,414	351	564	915	14.26	5,499	320.70	28.48	274.95	24.41	2,000	12,604	630.20	----------
58	5,500	35,528	7,663	434	422	856	11.17	6,807	139.32	21.56	123.76	19.15	5,500	7,685	139.72	----------
59	10,000	33,709	8,225	451	696	1,147	13.94	7,078	82.25	21.38	70.78	20.99	10,090	10,150	101.50	----------
60	5,000	35,000	4,532	271	--------	271	5.98	4,261	90.64	12.94	85.22	12.17	(4)	(4)	(4)	(4)

61	296, 200	1, 116, 888	384, 123	17, 263	95, 672	112, 935	29. 39	271, 188	129. 68	34. 39	91. 55	24. 28	296, 200	144, 516	48. 79	80. 89
62	100, 000	369, 844	90, 574	4, 578	14, 273	18, 851	20. 82	71, 723	90. 57	24. 49	71. 73	19. 39	100, 000	173, 189	173. 19	----------
63	66, 850	88, 815	13, 538	759	875	1, 634	12. 06	11, 904	20. 25	15. 24	17. 81	13. 40	10, 000	8, 636	86. 36	----------
64	10, 000	166, 536	48, 883	2, 382	9, 175	11, 557	23. 64	37, 326	488. 83	20. 35	373. 26	22. 41	10, 000	18, 340	183. 40	305. 43
65	500, 000	515, 717	185, 646	8, 080	50, 964	59, 044	31. 80	126, 602	37. 13	35. 99	25. 32	24. 54	500, 000	173, 029	34. 61	2. 52
66	10, 000	30, 804	5, 029	301	----------	301	5. 98	4, 728	50. 29	16. 32	47. 28	15. 34	10, 000	2, 279	22. 79	27. 50
67	74, 840	132, 798	20, 171	1, 115	1, 587	2, 702	13. 39	17, 469	26. 95	15. 18	23. 34	13. 15	74, 840	21, 938	29. 31	----------
68	165, 200	281, 540	79, 146	3, 783	16, 093	19, 876	25. 11	59, 270	47. 90	27. 81	35. 87	20. 82	165, 200	47, 078	28. 49	19. 41
69	15, 000	45, 038	8, 325	474	423	897	10. 77	7, 428	55. 50	18. 48	49. 52	16. 49	15, 000	16, 395	109. 30	----------
70	30, 000	45, 895	8, 330	481	300	781	9. 37	7, 549	27. 77	18. 15	25. 16	16. 44	30, 000	18, 927	63. 09	----------
71	100, 000	329, 402	102, 747	4, 819	22, 413	27, 232	26. 50	75, 515	102. 75	31. 19	75. 52	22. 92	100, 000	112, 017	112. 02	----------
72	5, 000	34, 983	9, 235	491	1, 044	1, 535	16. 62	7, 700	184. 70	26. 39	154. 00	22. 05	5, 000	6, 043	120. 86	63. 84
73	4, 800	4, 800	6, 345	272	1, 805	2, 077	32. 73	4, 268	132. 18	132. 18	88. 91	88. 91	4, 800	4, 759	99. 14	33. 04
74	107, 400	121, 095	24, 931	1, 309	3, 100	4, 409	17. 68	20, 522	23. 21	20. 58	19. 10	16. 94	107, 400	8, 136	75. 75	----------

[1] Loss.

[2] 9 months.

[3] 6 months.

[4] Not in business in 1916.

CODE: Is-6

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Keystone Bronze Co	Pittsburgh, Pa	15751263	25. A. W. Cadman Mfg. Co	Pittsburgh, Pa	15750769
2. Neenah Brass Works	Neenah, Wis	32751327	26. Bridgeport Deoxidized Bronze & Metal Co	Bridgeport, Conn	8750156
3. Maryland Brass & Metal Works	Baltimore, Md	16750229	27. The Bead Chain Mfg. Co	Bridgeport, Conn	8750280
4. Pittsburgh Brass Mfg. Co	Pittsburgh, Pa	15750931	28. Allen Fire Dept. Supply Co	Province, R. I	8750135
5. Johnson Meier Co	Chicago, Ill	26753737	29. Milwaukee Aluminum & Brass Foundry Co	Milwaukee, Wis	32752100
6. Standard Brass Casting Co	Oakland, Calif	47751507	30. Street & Kent Mfg. Co	Chicago, Ill	26750639
7. Damascus Bronze Co	Pittsburgh, Pa	15750747	31. Lorain Brass & Bronze Foundry Co	Lorain, Ohio	23750548
8. The Sterling & Skinner Mfg. Co	Detroit, Mich	30751101	32. Wm. A. Hardy & Sons Company	Fitchburg, Mass	1752275
9. McNab & Harlin Mfg. Co	New York, N. Y	2752048	33. Oil City Brass Works	Beaumont, Tex	44750109
10. The Kennedy Valve Mfg. Co	Elmira, N. Y	7751208	34. Gem Manufacturing Co	Pittsburgh, Pa	15750809
11. Oregon Brass Works	Portland, Oreg	46750430	35. Ferd Messmer Mfg. Co	St. Louis, Mo	36750154
12. Bastian Blessing Co	Chicago, Ill	26750269	36. Enterprise Brass Foundry	Seattle, Wash	45750143
13. Homer F. Livermore, Inc	Boston, Mass	1752248	37. Aurora Foundry Co	Aurora, Ill	26750922
14. E. R. Caldwell & Son, Brass Co., Inc	Syracuse, N. Y	6750153	38. Hamilton & Sons, Inc	Brooklyn, N. Y	4750395
15. Speakman Supply & Pipe Co	Wilmington, Del	16751583	39. American Injector Co	Detroit, Mich	30750087
16. Lumen Bearing Co	Buffalo, N. Y	7750571	40. Northern Brass Mfg. Co	Waukegan, Ill	26750720
17. Edgewater Steel Co	Oakmount, Pa	15751062	41. W. D. Allen Mfg. Co	Chicago, Ill	27754091
18. Flood City Manufacturing Co	Johnstown, Pa	15751697	42. Gilbert & Sons Brass Foundry Co	St. Louis, Mo	36751328
19. American Manganese Bronze Co	Philadelphia, Pa	12752275	43. Crescent Brass Mfg. Co	Reading, Pa	12752195
20. McHatton Foundry Co	Philadelphia, Pa	12750268	44. The Erie Buffalo Tube Co	Erie, Pa	15750768
21. Bayer Steam Soot Blower Co	St. Louis, Mo	36750613	45. More-Jones Brass & Metal Co	St. Louis, Mo	36751288
22. Peninsular Brass Works	Detroit, Mich	30750577	46. Baltimore Tube Co., Inc	Baltimore, Md	16750123
23. Crown Smelting Co	Chester, Pa	12750476	47. Aluminum Castings Co	Cleveland, Ohio	23750907
24. Eureka Brass Co	St. Louis, Mo	36751601	48. The French Mfg. Co	Waterbury, Conn	8751943

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE: Is-6—Continued

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
49. Dayton Pipe Coupling Co	Dayton, Ohio	20750650	62. Kokomo Brass Works	Kokomo, Ind	24750835
50. Southern Textile Machinery Co	Paducah, Ky	50750179	63. Pioneer Brass Works	Indianapolis, Ind	24750957
51. Gerline Brass Foundry Co	Kalamazoo, Mich	31750245	64. City Brass Foundry Co	Cleveland, Ohio	23751745
52. Kelley Brass Works	Chicago, Ill	26750522	65. The Waterbury Brass Goods Corp	Waterbury, Conn	8751715
53. T. F. McGann & Sons Co	Boston, Mass	1750964	66. James Jones Co	Los Angeles, Calif	48750787
54. General Brass Foundry	Chicago, Ill	26752695	67. Detroit Sanitary Supply Co	Detroit, Mich	30750256
55. Cleveland Aluminum Casting Co	Cleveland, Ohio	23752485	68. D. T. Williams Valve Co	Cincinnati, Ohio	20750015
56. American Brass & Iron Co	Detroit, Mich	30750072	69. Victor Brass Mfg. Co	Cleveland, Ohio	23751541
57. Richard B. Carran Sons Co	Ludlow, Ky	52750050	70. Acme Brass Foundry	Los Angeles, Calif	48750008
58. Strickland Machine Co	Richmond, Va	17750448	71. Bunting Brass & Bronze Co	Toledo, Ohio	21750540
59. Andrew J. Morse & Son, Inc	Boston, Mass	1750826	72. Mercantile Burglar Alarm Co	New York, N. Y	2750232
60. A. H. Anderson Foundry	Chicago, Ill	26750055	73. Waukesha Foundry Co	Waukesha, Wis	32753117
61. William Powell Co	Cincinnati, Ohio	20751293	74. American Lubricator Co	Detroit, Mich	30750107

IRON AND STEEL INDUSTRIES: CASTINGS, ETC.

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax, to capital stock, 1917 (11)	Percent of net income, after deducting tax, to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE Is-11																
1	$40, 000	$101, 567	$39, 912	$1, 700	$11, 565	$13, 265	33. 24	$26, 647	99. 78	39. 29	66. 62	26. 23	$40, 000	$7, 613	19. 03	80. 75
2	112, 500	112, 002	36, 693	1, 696	8, 464	10, 160	27. 73	26, 533	32. 61	32. 76	23. 58	23. 68	112, 500	19, 664	17. 48	15. 13
3	500, 000	1, 721, 550	472, 980	22, 926	90, 872	113, 798	24. 08	359, 182	91, 59	27. 47	71. 84	20. 86	494, 000	500, 187	101. 25	
4	95, 000	227, 283	80, 566	3, 606	20, 465	24, 071	29. 87	56, 495	84. 81	35. 44	59. 47	24. 86	85, 000	56, 748	66. 76	18. 05
5	70, 300	151, 436	38, 842	1, 958	6, 203	8, 161	21. 01	30, 681	55. 25	25. 65	43. 64	20. 26	70, 300	32, 292	45. 93	9. 32
6	29, 900	256, 737	135, 505	5, 136	49, 895	55, 031	40. 61	80, 474	453. 19	52. 77	269. 14	31. 34	29, 900	85, 272	285. 19	168. 00
7	15, 000	19, 841	3, 391	99		99	2. 92	3, 295	22. 62	17. 10	21. 99	16. 61	15, 000	4, 830	32. 20	
8	15, 000	50, 921	11, 292	615	1, 035	1, 650	14. 61	9, 642	75. 28	22. 18	64. 29	18. 93	15, 000	6, 954	46. 36	28. 92

9	183,000	544,653	164,611	7,772	35,062	42,834	26.02	121,777	89.95	30.22	66.54	22.36	183,000	164,611	89.95	-----
10	60,465	60,465	11,075	612	868	1,480	13.42	9,595	18.32	18.32	15.87	15.87	55,200	[3] 7,482	−13.55	31.87
11	90,000	83,830	24,607	1,202	4,563	5,765	23.43	18,842	27.34	29.35	20.94	22.48	30,000	27,643	92.14	-----
12	250,000	158,783	48,159	2,258	10,512	12,770	26.52	35,389	19.26	30.33	14.15	22.29	100,000	41,559	41.56	-----
13	8,000	8,009	3,355	201	-----	201	5.99	3,154	41.94	31.94	39.43	39.43	2,000	68	3.40	38.54
14	10,000	10,135	3,980	232	101	333	8.36	3,647	39.80	39.26	36.47	35.98	10,000	[3] 962	−9.62	49.42
15	100,000	156,301	56,301	2,107	21,180	23.287	41.36	33,014	56.30	36.01	33.01	21.12	100,000	42,638	42.64	13.66
16	25,000	38,389	8,014	444	611	1,055	13.16	6,959	32.06	20.88	27.84	18.13	25,000	2,403	9.61	22.45
17	150,000	518,636	262,577	9,875	97,984	107,859	41.08	154,718	175.05	50.62	103.14	29.83	199,500	128,978	64.65	110.40
18	4,500	16,361	6,626	319	1,300	1,619	24.43	5,007	147.24	40.49	111.27	30.60	4,500	7,600	168.89	-----
19	80,000	95,974	54,212	2,005	20,794	22,799	42.05	31,413	67.76	56.49	39.27	32.73	80,000	15,974	19.97	47.79
20	85,300	100,436	29,448	1,421	5,771	7,192	24.42	22,256	34.52	29.31	26.09	22.16	83,100	20,283	24.41	10.11
21	21,200	22,896	12,701	504	4,304	4,808	37.85	7,893	59.91	55.47	37.23	34.47	21,200	2,268	10.69	49.22
22	4,800	19,577	3,776	226	-----	226	5.99	3,550	78.67	19.29	73.96	18.13	4,800	3,545	73.85	4.82
23	30,000	102,547	15,499	865	1,070	1,935	12.48	13,564	51.66	15.11	45.21	13.23	30,000	17,566	58.55	-----
24	29,800	285,514	147,884	5,640	53,868	59,508	40.24	88,376	496.25	51.78	296.56	30.95	29,800	132,678	445.23	51.02
25	19,998	49,676	20,731	879	5,576	6,455	31.89	13,776	101.26	40.73	68.95	27.73	19,998	18,965	94.91	6.35
26	3,000	9,641	10,325	380	3,990	4,370	42.30	5,955	344.16	107.09	198.50	61.77	3,000	2,164	72.13	272.03
27	10,000	58,851	24,982	1,059	7,327	8,386	33.57	16,596	249.82	42.45	165.96	28.20	10,000	-----	-----	-----
28	19,900	41,332	31,825	1,365	9,062	10,427	32.75	21,398	159.92	76.98	107.53	51.76	10,550	17,612	166.93	-----
29	22,550	31,109	13,955	597	3,983	4,580	32.82	9,375	61.89	44.86	41.57	30.14	22,550	7,373	32.70	29.19
30	248,025	347,516	95,424	4,654	417,840	22,494	23.57	72,930	38.46	27.45	29.40	20.98	200,000	95,021	47.51	-----
31	335,000	483,059	155,085	7,197	35,132	42,329	27.29	112,756	46.29	32.10	33.66	23.34	327,350	57,311	17.51	28.78
32	50,000	50,000	7,689	461	-----	461	6.00	7,228	15.38	15.38	14.46	14.46	50,000	5,362	10.72	4.66
33	66,000	83,534	20,794	1,075	2,877	3,952	19.00	16,842	31.51	24.89	25.52	20.16	65,300	8,090	12.39	19.12
34	1,748,000	1,756,439	363,693	19,015	46,774	65,789	18.09	297,904	20.81	20.70	17.04	16.96	1,602,900	178,825	11.16	9.65
35	96,100	72,437	21,378	1,038	4,058	5,096	23.84	16,282	22.25	29.51	16.94	22.48	55,600	29,363	52.81	-----
36	200,000	315,683	97,120	4,575	20,848	25,423	26.18	71,697	48.56	30.76	35.85	22.71	200,000	81,516	40.76	7.80
37	75,000	115,248	42,450	1,773	[6] 9,200	10,973	25.85	31,477	56.60	36.82	41.97	27.30	63,000	44,894	71.26	-----
38	39,700	39,700	11,795	595	1,878	2,473	20.97	9,322	29.71	29.71	23.48	23.48	39,700	60,165	151.55	-----
39	150,000	150,000	70,362	2,768	24,217	26,985	38.31	43,377	46.91	46.91	28.92	28.92	75,000	13,271	17.69	29.22
40	11,000	13,930	4,356	258	46	304	6.98	4,052	39.60	31.27	36.84	29.09	11,000	3,313	30.12	9.48
41	25,000	58,766	56,531	1,798	26,561	28,359	50.16	28,172	226.12	96.19	112.69	47.93	25,000	15,614	62.46	163.66
42	15,000	24,484	35,148	1,057	17,529	18,586	52.88	16,562	234.32	143.52	110.41	67.63	30,000	17,079	56.93	177.39
43	10,000	14,201	3,788	227	-----	227	5.99	3,561	37.88	26.66	35.61	25.06	10,000	8,365	83.65	-----
44	10,000	42,711	11,257	577	1,625	2,202	19.56	9,055	112.57	26.35	90.55	21.20	10,000	4,206	42.06	70.51
45	138,300	214,402	114,217	4,269	43,059	47,328	41.43	66,889	82.59	53.25	48.36	31.19	134,000	93,450	69.74	12.85
46	400,000	626,215	246,959	10,471	72,429	82,900	33.57	164,059	61.74	39.43	41.01	26.19	300,000	130,754	43.35	18.39
47	71,700	75,930	18,780	956	2,841	3,797	20.22	14,983	26.19	24.73	20.90	19.73	71,600	4,230	5.91	20.28
48	135,000	351,377	157,049	6,334	51,464	57,798	36.79	99,251	116.33	44.69	73.52	28.24	135,000	118,749	87.96	28.37
49	20,000	20,181	11,051	456	3,441	3,897	35.24	7,154	55.26	54.73	35.77	35.43	20,000	1,736	8.68	46.58
50	15,000	68,272	26,405	1,292	4,871	6,163	23.34	20,242	176.03	38.67	134.91	29.64	15,000	12,383	82.56	93.47
51	81,200	86,080	19,113	922	[6] 1,810	2,732	14.29	16,381	23.54	22.21	20.17	19.02	81,200	19,312	23.78	-----
52	100,000	184,047	34,414	1,866	3,310	5,176	15.04	29,238	34.41	18.69	29.24	15.88	100,000	34,034	34.03	.38
53	30,000	362,513	75,098	3,867	10,640	14,507	19.32	60,591	250.33	20.71	201.97	16.71	30,000	164,956	549.85	-----
54	95,100	95,100	41,560	1,706	13,114	14,820	35.66	26,740	43.70	43.70	28.12	28.12	20,450	-----	-----	-----
55	50,000	50,000	15,691	753	3,136	3,889	24.78	11,802	31.38	31.38	23.60	23.60	10,000	28,321	283.21	-----
56	150,000	216,465	84,431	3,619	24,108	27,727	32.84	56,704	56.29	39.00	37.80	26.20	150,000	102,905	68.60	-----
57	97,100	151,656	28,414	1,435	4,487	5,922	20.84	22,492	29.26	18.74	23.16	14.83	97,100	22,857	23.54	5.72
58	10,000	99,696	24,757	1,273	3,528	4,801	19.39	19,956	247.57	24.83	199.56	20.02	10,000	28,911	289.11	-----

[3] Loss.

[6] 10 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES; CASTINGS, ETC.—Continued

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax, to capital stock, 1917 (11)	Percent of net income, after deducting tax, to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE IS-11—Con.																
59	$50,000	$309,048	$148,732	$5,830	$51,553	$57,383	38.58	$91,349	297.46	48.13	182.70	29.56	$50,000	$73,891	147.78	149.68
60	9,400	13,708	5,477	281	785	1,066	19.46	4,411	58.27	39.95	46.93	32.18	9,400	2,507	26.67	31.60
61	149,772	265,846	112,825	4,657	35,193	39,850	35.32	72,975	75.33	42.44	48.72	27.45	148,400	45,446	30.62	44.71
62	50,000	69,863	12,250	699	592	1,291	10.54	10,959	24.50	17.53	21.92	15.69	50,000	18,259	36.52	----------
63	50,000	94,943	58,719	2,137	23,096	25,233	42.97	33,486	117.44	61.85	66.97	35.27	15,000	33,114	220.76	----------
64	121,212	120,842	38,568	1,528	¹ 5,813	7,341	19.03	31,227	31.82	31.91	25.76	25.84	118,500	11,032	9.31	22.51
65	100,000	92,627	20,101	1,061	2,406	3,467	17.25	16,634	20.10	21.70	16.63	17.96	72,500	----------	----------	----------
66	250,000	365,967	98,742	4,754	19,497	24,251	24.56	74,491	39.50	26.98	29.80	20.35	200,000	102,507	51.25	----------
67	40,500	162,462	69,064	2,863	21,313	24,206	35.05	44,858	170.53	42.51	110.76	27.61	40,500	61,994	153.07	17.46
68	30,900	123,638	43,617	1,973	10,734	12,707	29.13	30,910	141.16	35.28	100.03	25.00	30,900	51,369	166.24	----------
69	24,000	48,883	18,724	837	4,765	5,602	29.92	13,122	78.02	38.30	54.68	26.84	24,000	22,772	94.88	----------
70	837,200	1,363,693	375,129	17,856	77,522	95,378	25.43	279,751	44.81	27.51	33.42	20.51	837,200	301,859	36.06	8.75
71	18,700	18,700	8,675	242	² 2,052	2,294	26.44	6,381	46.39	46.39	34.12	34.12	17,200	³ 214	—1.24	47.63
72	25,000	34,252	9,443	485	1,358	1,843	19.52	7,600	37.77	27.57	30.40	22.19	25,000	4,074	16.30	21.47
73	400,000	1,114,986	248,530	12,504	40,110	52,614	21.17	195,916	62.13	22.29	48.98	17.57	200,000	131,446	65.72	----------
74	34,600	32,822	7,106	401	415	816	11.48	6,290	20.54	21.65	18.18	19.16	45,000	6,982	15.52	5.02
75	275,000	556,142	317,942	11,537	125,653	137,190	43.14	180,752	115.62	57.17	65.73	32.50	275,000	340,630	123.87	----------
76	31,100	32,850	15,149	843	1,092	1,935	12.77	13,214	48.71	46.12	42.49	40.23	30,000	5,472	18.24	30.47
77	50,000	65,937	29,430	1,201	9,409	10,610	36.05	18,820	58.86	44.63	37.64	28.54	23,350	28,515	122.12	----------
78	500,000	1,337,232	358,328	17,196	71,721	88,917	24.81	269,411	71.67	26.80	53.88	20.14	500,000	274,985	55.00	16.67
79	300,000	414,989	163,654	6,951	47,794	54,745	33.45	108,909	54.55	39.44	36.30	26.24	300,000	73,793	24.60	29.95
80	372,300	460,030	176,323	7,507	51,190	58,697	33.29	117,626	47.36	38.33	31.59	25.57	372,300	65,904	17.70	29.66
81	10,500	29,586	7,135	393	564	957	13.41	6,178	67.95	24.12	58.84	20.88	10,500	7,393	70.41	----------
82	40,000	448,521	124,178	6,031	23,695	29,726	23.94	94,452	310.45	27.68	236.13	21.06	40,000	130,993	327.48	----------
83	95,000	95,000	15,257	856	981	1,837	12.04	13,420	16.06	16.06	14.13	14.13	(4)	(4)	(4)	(4)
84	100,000	134,627	34,627	1,715	6,029	7,744	22.36	26,883	34.63	25.72	26.88	19.97	100,000	³ 4,300	—4.30	38.93
85	106,200	277,577	81,458	3,898	16,487	20,385	25.03	61,073	76.70	29.35	57.51	22.00	106,200	42,618	40.13	36.57
86	50,000	62,011	16,567	883	1,845	2,728	16.47	13,839	33.13	26.72	27.68	22.32	50,000	5,163	10.33	22.80
87	16,800	55,025	27,960	1,103	9,573	10,676	38.18	17,281	166.43	50.81	102.88	31.41	16,800	16,321	97.15	69.28

88	50,000	108,600	23,011	1,229	2,512	3,741	16.26	19,270	46.02	21.19	38.54	17.74	49,000	40,587	82.83	-----
89	300,000	713,548	136,371	7,266	15,263	22,529	16.52	113,842	45.46	19.11	37.95	15.95	300,000	48,001	16.00	29.46
90	20,000	51,093	7,801	465	40	505	6.47	7,296	39.01	15.27	36.48	14.28	20,000	13,211	66.06	-----
91	27,079	27,079	4,607	276	-----	276	5.99	4,331	17.01	17.01	15.99	15.99	27,079	5,841	21.57	-----
92	5,100	48,312	13,027	690	1,521	2,211	16.97	10,816	255.43	26.96	212.08	22.39	5,100	17,079	334.88	-----
93	248,200	281,766	133,734	4,410	[5] 23,477	27,887	20.85	105,847	53.88	47.46	42.65	37.57	178,400	38,732	21.71	32.17
94	24,000	23,500	4,155	249	-----	249	5.99	3,906	17.31	17.68	16.28	16.62	24,050	[3] 2,626	−10.91	28.22
95	63,800	55,582	14,781	765	2,020	2,785	18.84	11,996	23.17	26.59	18.80	21.58	43.500	1,808	4.16	19.01
96	192,900	204,810	34,093	1,844	3,351	5,195	15.24	28,898	17.67	16.65	14.98	14.11	192,900	8,667	4.49	13.18
97	1,500,000	2,298,516	1,759,429	58,811	779,235	838,046	47.63	921,383	117.30	76.55	61.43	40.09	1,500,000	964,327	64.29	53.01
98	100,000	244,476	533,148	14,592	289,951	304,543	57.12	128,605	533.15	218.07	228.61	93.51	100,000	38,412	38.41	494.74
99	5,300	8,682	9,342	357	3,388	3,745	40.09	5,597	176.26	107.60	105.60	64.47	5,300	3,382	63.81	112.45
100	12,630	12,630	12,958	456	5,345	5,801	44.77	7,157	102.60	102.60	56.67	56.67	6,900	4,203	60.90	41.69
101	370,300	408,087	388,162	12,190	184,984	197,174	50.80	190,988	104.82	95.12	51.58	46.80	130,100	193,268	148.51	-----
102	400,400	1,361,435	765,973	27,897	301,007	328,904	42.94	437,069	191.30	56.26	109.16	32.10	796,500	353,159	44.34	146.96
103	20,000	117,027	131,051	4,023	63,987	68,010	51.90	63,011	655.26	111.98	315.21	53.87	20,000	78,055	390.28	264.98
104	200,000	242,802	263,555	8,795	116,964	125,759	47.72	137,796	131.78	76.66	68.90	40.08	200,000	112,047	56.02	75.76
105	1,514,029	555,103	555,967	17,375	266,378	283,753	51.04	272,214	36.72	100.17	17.97	49.05	462,000	205,769	44.54	-----
106	300,000	3.875,513	1,343,919	60,193	340,689	400,882	29.83	943,037	447.97	34.68	314.35	24.33	300,000	937,364	312.45	135.52
107	840,000	1,172,794	851,673	28,634	374,429	403,063	47.33	448,610	101.39	72.62	53.41	38.25	840,000	225,334	26.83	74.56
108	3,000,000	3,375,573	1,983,257	71,837	784,285	856,122	43.17	1,127,135	66.11	58.75	37.57	33.39	300	256,935	85,645.00	-----
109	75,000	91,413	29,719	1,392	6,511	7,903	26.59	21,816	39.63	32.51	29.09	23.87	75,000	16,603	22.14	17.49
110	160,000	891,613	162,636	8,762	16,588	25,350	15.59	137,286	101.65	18.24	85.80	15.40	160,000	124,028	77.52	24.13
111	70,000	117,564	18,580	1,023	1,517	2,540	13.67	16,040	26.54	15.80	22.91	13.64	70,000	18,099	25.86	.68
112	20,000	74,151	66,238	2,158	30,245	32,403	48.92	33,835	331.19	89.33	169.18	45.62	20,000	31,626	158.13	173.06
113	1,000,000	2,413,329	2,687,260	81,890	1,322,411	1,404,301	52.26	1,282,959	268.73	111.35	128.30	53.16	1,000,000	3,036,627	303.66	-----
114	150,000	519,599	216,353	8,845	68,920	77,765	35.94	138,588	144.23	41.64	92.39	26.67	150,000	196,119	130.75	13.48
115	120,000	173,279	224,801	6,658	113,883	120,541	53.62	104,260	187.33	129.73	86.88	60.16	120,000	139,228	116.02	71.31
116	15,000	30,395	6,156	353	257	610	9.91	5,546	41.04	20.25	36.97	18.25	10,300	18,668	181.24	-----
117	122,000	175,085	33,771	1,797	3,728	5,525	16.36	28,246	27.68	19.28	23.15	16.13	122,000	42,226	34.61	-----
118	50,000	47,500	15,813	747	3,357	4,104	25.95	11,709	31.62	33.29	23.42	24.65	44,000	11,572	26.30	5.32
119	100,000	358,036	64,276	3,387	7,741	11,128	17.31	53,148	64.28	17.95	53.15	14.84	100,000	66,807	66.81	-----
120	400,00	430,811	92,960	4,837	12,334	17,171	18.47	75,789	23.24	21.58	18.95	17.59	400,000	37,281	9.32	13.92
121	497,550	936,993	284,868	14,033	50,971	65,004	22.82	219,864	57.25	30.40	44.18	23.46	331,200	130,232	39.32	17.93
122	40,000	76,021	20,718	960	[6] 2,803	3,763	18.16	16,955	51.79	27.25	42.38	22.30	20,000	9,334	46.69	5.10
123	30,000	32,956	14,634	627	4,174	4,801	32.81	9,833	48.78	44.40	32.77	29.84	20,000	5,571	27.85	20.93
124	100,000	234,297	88,732	3,852	24,523	28,375	31.98	60,357	88.73	37.87	60.36	25.76	100,000	32,519	32.52	56.21
125	25,000	7,978	16,173	516	7,569	8,085	49.99	8,088	64.69	202.71	32.32	101.38	11,000	[3] 3,111	−28.28	92.97
126	130,300	183,857	57,875	2,679	13,218	15,897	27.47	41,978	44.42	31.47	32.22	22.83	130,300	68,126	52.28	-----
127	40,000	81,711	24,082	1,156	4,803	5,959	24.74	18,123	60.20	29.47	45.31	22.18	-----	18,839	-----	-----
128	25,000	21,458	21,604	712	9,713	10,425	48.25	11,179	86.42	100.68	44.71	52.10	20,000	4,171	20.85	65.57
129	190,100	189,994	20,904	1,670	2,009	3,679	12.30	26,225	15.73	15.74	13.79	13.80	130,000	25,322	19.48	-----
130	50,000	76,929	49,763	1,765	20,334	22,099	44.41	27,664	99.52	61.63	55.33	35.96	50.000	9,987	19.97	79.55
131	151,000	151,375	113,116	3,822	49,407	53,229	47.05	59,887	74.91	74.72	39.66	39.56	151,500	-----	-----	-----
132	235,580	187,755	64,454	2,381	[7] 9,504	11,885	18.44	52,569	27.36	34.33	22.31	28.00	219.980	23,366	10.62	16.74
133	15,000	154,784	73,890	2,877	24,406	27,283	36.92	46,607	492.60	47.72	310.71	30.11	15,000	45,716	304.77	187.83
134	60,000	73,078	36,517	1,301	8,633	9,934	27.20	26,583	60.86	49.96	44.30	36.38	60,009	14,322	23.87	36.99
135	350,000	522,248	121,322	6,192	18,100	24,292	20.02	97,030	34.66	23.23	27.72	18.58	350,000	177,112	50.60	-----
136	66,300	138,774	32,839	1,681	4,809	6,490	19.76	26,349	49.53	23.66	39.74	18.99	62,100	58,811	94.70	-----
137	21,700	10,375	4,952	260	611	871	17.58	4,081	22.82	47.73	18.81	39.33	4,750	1,468	30.91	-----

[1] 8 months.

[2] 11 months.

[3] Loss.

[4] Not in business in 1916

[5] 6 months.

[6] 10 months.

[7] 7 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: CASTINGS, ETC.—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE IS-11—Con.																
138	$100,000	$142,394	$138,522	$4,368	$65,710	$70,078	50.59	$68,444	138.52	97.28	68.44	48.07	$100,000	$86	0.09	138.43
139	25,000	63,740	12,076	661	1,018	1,709	14.15	10,367	48.30	18.95	41.47	16.26	32,600	9,378	28.77	19.53
140	137,000	186,951	40,101	2,066	5,656	7,722	19.26	32,379	29.27	21.45	23.63	17.32	138,000	62,662	45.41	------
151	100,000	100,000	31,982	1,490	7,142	8,632	26.99	23,350	31.98	31.98	23.35	23.25	100,000	17,686	17.69	14.29
142	125,000	125,533	35,499	1,738	6,524	8,262	23.27	27,237	28.40	28.28	21.79	21.70	125,000	32,597	26.08	2.32
143	774,800	1,496,476	760,839	29,070	276,326	305,396	40.14	455,443	98.20	50.84	58.78	30.43	767,000	500,694	65.28	32.92
144	721,000	814,894	599,557	25,489	174,735	200,224	33.40	399,333	83.16	73.57	55.39	49.00	69,500	131,113	188.65	------
145	55,000	55,817	38,074	1,351	15,546	16,897	44.37	21,177	69.23	68.21	38.50	37.94	11,000	14,690	133.54	------
146	150,000	181,115	92,450	3,515	33,861	37,376	40.43	55,074	61.63	51.04	36.72	30.41	150,000	39,972	26.65	34.98
147	200,000	423,906	132,399	6,096	30,790	36,886	27.86	95,513	66.20	31.23	47.76	22.53	200,000	57,359	28.68	37.52
148	50,000	75,269	25,013	1,372	2,136	3,508	14.02	21,505	50.03	33.23	43.01	28.57	50,000	6,186	12.37	37.66
149	150,000	188,430	45,690	2,309	7,195	9,504	20.80	36,186	30.46	24.25	24.12	19.20	75,000	28,158	37.54	------
150	25,000	25,000	4,951	297	------	297	6.00	4,654	19.80	19.80	18.62	18.62	25,000	191	.76	19.04
151	116,500	128,596	19,304	1,070	1,461	2,531	13.11	16,793	16.57	15.01	14.40	13.04	75,000	3,381	4.51	12.06
152	72,380	73,554	40,101	1,510	14,934	16,444	41.01	23,657	55.40	54.52	32.68	32.16	72,380	15,683	21.67	33.73
153	10,000	18,179	8,219	374	1,969	2,343	28.51	5,876	82.19	45.21	58.76	32.32	10,000	8,204	82.04	.15
154	22,300	30,691	16,710	661	5,686	6,347	37.98	10,363	74.93	54.45	46.47	33.77	15,000	69	.46	74.47
155	585,800	796,323	227,944	10,679	[1] 37,286	47,965	21.04	179,979	38.91	28.62	30.72	22.60	577,600	249,997	43.28	------
156	150,000	168,789	41,628	1,476	[5] 3,145	4,621	11.10	37,007	27.75	24.66	24.67	21.93	131,400	14,976	11.40	16.35
157	200,000	244,576	113,101	4,484	38,364	42,848	37.88	70,253	56.55	46.24	35.13	28.72	200,000	44,576	22.29	34.26
158	23,300	67,756	42,053	1,533	16,501	18,034	42.88	24,019	180.48	62.07	103.09	35.45	23,300	18,802	80.70	99.78
159	20,000	57,046	21,649	966	5,544	6,510	30.07	15,139	108.24	37.95	75.69	26.54	19,300	13,651	70.73	37.51
160	50,000	131,123	58,519	2,352	19,266	21,618	36.94	36,901	117.04	44.63	73.80	28.14	50,000	34,051	68.10	48.94
161	1,500,000	1,974,130	609,629	28,504	134,557	163,061	26.75	446,568	40.64	30.88	29.77	22.62	1,500,000	214,228	14.28	26.36
162	50,000	148,067	64,306	3,225	10,552	13,777	21.42	50,529	128.61	43.42	101.06	34.13	50,000	13,967	27.93	100.68
163	2,000	142,151	52,262	2,279	14,268	16,547	31.66	35,715	2,613.10	36.77	1,785.75	25.13	2,000	65,968	3,298.40	------
164	173,950	147,405	37,138	1,849	6,310	8,159	21.97	28,979	21.35	25.20	16.66	19.66	73,800	23,702	32.12	------
165	200,000	200,833	65,375	3,018	15,061	18,079	27.65	47,296	32.69	33.55	23.65	23.55	500	6,494	1,298.80	------
166	12,000	12,000	112,876	4,806	32,769	37,575	33.29	75,301	940.63	940.63	627.51	627.51	12,000	[3] 20,612	−171.77	1,112.40
167	12,850	12,850	3,185	191	------	191	6.00	2,994	24.79	24.79	23.30	23.30	12,850	6,270	48.79	------

168	262,900	493,064	450,134	14,389	210,313	224,702	49.92	225,432	171.22	91.29	85.75	45.72	272,500	258,438	94.84	76.38
169	41,900	52,430	17,393	905	2,311	3,216	18.49	14,177	41.51	33.17	33.84	27.04	41,900	10,648	25.41	16.10
170	50,000	144,167	27,977	1,515	2,718	4,233	15.13	23,744	55.95	19.41	47.49	16.47	50,000	12,087	24.17	31.78
171	53,800	60,764	51,514	1,695	23,259	24,954	48.44	26,560	95.75	84.78	49.37	43.71	53,800	12,241	22.75	73.00
172	133,000	166,309	24,360	1,345	1,943	3,288	13.50	21,072	18.32	14.64	15.84	12.67	133,000	2,288	1.72	16.60
173	10,000	26,464	5,161	309	8	317	6.14	4,844	51.61	19.50	48.44	18.30	10,000	4,489	44.89	6.72
174	150,000	485,488	43,529	2,611	----------	2,611	6.00	40,918	29.02	8.97	27.28	8.43	150,000	159,462	106.31	----------
175	13,000	201,429	7,456	397	----------	397	5.32	7,059	57.35	3.70	54.30	3.50	150,000	435,410	290.27	----------
176	25,000	53,936	7,505	441	145	586	7.81	6,919	30.02	13.91	27.68	12.83	25,000	4,223	16.89	13.13
177	50,000	102,547	12,282	712	420	1,132	9.22	11,150	24.56	11.98	22.30	10.87	50,000	23,368	46.74	----------
178	39,400	76,345	8,702	517	71	588	6.76	8,114	22.09	11.40	20.59	10.63	48,150	[3] 15,212	−31.59	53.68
179	30,100	42,405	5,812	348	----------	348	5.99	5,464	19.31	13.71	18.15	12.89	30,100	[3] 30,036	−10.09	29.40
180	750,000	----------	387,949	19,275	66,685	85,960	22.16	301,989	51.73	----------	40.27	----------	750,000	58,752	7.83	43.90
181	150,000	238,071	26,861	1,524	1,439	2,963	11.02	23,898	17.91	11.28	15.93	10.04	150,000	797	.53	17.38
182	100,000	177,541	21,214	1,245	447	1,692	7.98	19,522	21.21	11.95	19.52	11.00	100,000	24,379	24.38	----------
183	10,000	70,303	7,964	477	8	485	6.09	7,479	79.64	11.33	74.79	10.64	10,000	16,331	163.31	----------
184	12,000	13,010	3,930	235	----------	235	5.98	3,695	32.75	30.21	30.79	28.40	12,000	4,116	34.30	----------
185	60,000	314,683	98,992	4,633	21,761	26,394	26.66	72,598	164.99	31.46	121.00	23.06	60,000	147,964	246.61	----------
186	246,000	541,233	59,420	3,354	3,506	6,860	11.54	52,560	24.15	10.98	21.37	9.71	246,000	73,016	29.68	----------
187	13,300	47,113	4,254	255	----------	255	5.99	3,999	31.98	9.03	30.07	8.49	13,300	11,917	89.60	----------

[1] 8 months.

[3] Loss.

[5] 6 months.

CODE IS-11

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. T. A. Cummins Foundry Co	Chicago, Ill	26750917	18. A. H. Steele Co	Worcester, Mass	1751014
2. Keystone Drop Forge Wks	Chester, Pa	12750482	19. Lima Steel Casting Co	Lima, Ohio	21750240
3. American Cast Iron Pipe Co	Birmingham, Ala	61750030	20. Egan-Rogers Steel & Iron Co	Crum Lynne, Pa	12751944
4. Ramapo Foundry & Wheel Works	Ramapo, N. Y	5750600	21. Urick Foundry Co	Erie, Pa	15752124
5. American Casting Co	Birmingham, Ala	61750029	22. C. L. Dorer Fdry. Co	Bellaire, Ohio	23750528
6. Enterprise Foundry Co	Detroit, Mich	30750018	23. Octigan Drop Forge Co	Chicago, Ill	26752692
7. Pero Foundry Co	Worcester, Mass	1750861	24. A. Finkl & Sons	Chicago, Ill	26752582
8. Phoenix Die Casting Co	Buffalo, N. Y	7750222	25. Standard Foundry Co	Dayton, Ohio	20750474
9. Rockford Malleable Iron Works	Rockford, Ill	26750882	26. John T. Pitz, Inc	New York, N. Y	2752471
10. Southern Foundry Co., Inc	Owensboro, Ky	50750182	27. The Pequonnock Foundry, Inc	Bridgeport, Conn	8751282
11. Pittsburgh Foundry & Machine Co	Pittsburgh, Pa	15752092	28. Berks Foundry & Mfg. Co	Berks P. O., Pa	12751433
12. Pittsburgh Knife & Forge Co	Pittsburgh, Pa	15750235	29. The Lundin Steel Casting Co	Newponset, Mass	1751117
13. North Carolina Steel & Iron Co	Salisbury, N. C	57750649	30. Penn. Forge Co	Bridesburg, Phila., Pa	12751371
14. Universal Foundry Co	Osbkosh, Wis	32752288	31. Michigan Steel Casting Co	Detroit, Mich	30750538
15. Union Foundry Co	Anniston, Ala	61750547	32. King Fifth Wheel Co	Philadelphia, Pa	12750207
16. C. J. Young Iron Works	Seattle, Wash	45751012	33. The Lorain Casting Co	Lorain, Ohio	23750046
17. Heppenstall Forge Co	Bridgeport, Conn	8750762	34. Ajax Forge Co	Chicago, Ill	26750125

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE IS-11—Continued

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
35. Cann & Saul Steel Co	Philadelphia, Pa	12750418	112. Westmoreland Malleable Iron Co., Ltd	Westmoreland, N. Y	6750883
36. The H. D. Smith & Co	Plantsville, Conn	8751485	113. Standard Forgings Co	Chicago, Ill	26751435
37. S. A. Ashman & Son Co	Philadelphia, Pa	12751013	114. The Herbrand Co	Fremont, Ohio	21750191
38. Barnett Drop Forging Co	Easthampton, Mass	1751547	115. Best Steel Casting Co	Oakland, Calif	47750184
39. The Standard Fdry. & Mfg. Co	Cleveland, Ohio	23752195	116. Cruse Crawford Mfg. Co	Birmingham, Ala	61750182
40. Keystone Foundry Co	Pottstown, Pa	12751251	117. The Steel Improvement & Forge Co	Cleveland, Ohio	23751242
41. Bay City Forge Co	Erie, Pa	15751010	118. Michigan Crank Shaft Co	Lansing, Mich	30750501
42. Atlas Forgings Co	Chicago, Ill	26753400	119. Richard Eccles Co	Auburn, N. Y	6750266
43. Phoenix Foundry Co	Chicago, Ill	26752654	120. Stroh Steel Hardening Process Co	Pittsburgh, Pa	15751229
44. North Wales Machine Co., Inc	North Wales, Pa	12751856	121. Sterling Steel Fdy. Co	Braddock, Pa	15751226
45. Stockham Pipe & Fitting Co	Birmingham, Ala	61750514	122. The Allen Iron & Steel Co	Philadelphia, Pa	12753196
46. Chicago Hardware Foundry Co	Chicago, Ill	26750545	123. Camden Foundry Co	Camden, N. J	10750278
47. Galesburg Malleable Castings Co	Galesburg, Ill	27750301	124. The American Malleable Casting Co	Marion, Ohio	22750016
48. Banner Iron Works	St. Louis, Mo	36750597	125. Enterprise Foundry Co	Pittsburgh, Pa	15751595
49. Valley Gray Iron Foundry Co	Saginaw, Mich	30751052	126. Dean Forging Co	Muncie, Ind	24750519
50. The Columbus Anvil & Forging Co	Columbus, Ohio	22750234	127. Atlas Foundry Co	Detroit, Mich	30750084
51. Gas Traction Foundry Co	Minneapolis, Minn	34752423-10	128. Olympic Steel Works	Seattle, Wash	45751713
52. Pennsylvania Drop Forging Co	Pittsburgh, Pa	15750048	129. Horsburgh Forge Co	Cleveland, Ohio	23752313
53. Sherwood Brass Works	Detroit, Mich	30750638	130. Racine Brass & Iron Co	Racine, Wis	32752187
54. The Fahnestock Mfg. Co	Avonmore, Pa	15752314	131. John Obenberger Forge Co	West Allis, Wis	32752155
55. Lake Erie Forge & Machine Co	Cleveland, Ohio	23750367	132. Deemer Steel Casting Co	New Castle, Del	16751617
56. E. D. Clapp Mfg. Co	Auburn, N. Y	6750192	133. L. H. Goodnow Foundry Co	Fitchburg, Mass	1751352
57. Kramer Bros. Foundry Co	Dayton, Ohio	20751283	134. The Owensboro Forging Co	Owensboro, Ky	50750145
58. Tower Grove Foundry Co	St. Louis, Mo	36751002	135. Frost Gear & Forge Co	Jackson, Mich	30750304
59. Wisconsin Malleable Iron Co	Milwaukee, Wis	32751763	136. Fulton Drop Forge Co	Canal Fulton, Ohio	23752326
60. E. Sabina Co., Inc	Pittsburgh, Pa	15750951	137. Gross Manufacturing Co	West Hazleton, Pa	14750604
61. Meadville Malleable Iron Co	Meavillle, Pa	15750080	138. Pelton Steel Co	Town of Lake, Wis	32752172
62. Reed Foundry & Machine Co	Kalamazoo, Mich	31750429	139. Fargo Foundry Co	Fargo, N. D	40750088
63. Arcade Malleable Iron Co	Worcester, Mass	1751813	140. Indianapolis Drop Forging Co	Indianapolis, Ind	24750085
64. American Forge & Machine Co	Canton, Ohio	23751777	141. The Superior Iron & Mfg. Co	Wauseon, Ohio	21750964
65. Burnside Steel Co	Chicago, Ill	26750682	142. Detroit Foundry Co	Detroit, Mich	30750880
66. Champion Machine & Forging Co	Cleveland, Ohio	23751832	143. Detroit Steel Products Co	Detroit, Mich	30751292
67. Coosa Pipe & Foundry Co	Birmingham, Ala	61750172	144. Hubbard Steel Foundry Co	E. Chicago, Ind	24751216
68. Campbell Mfg. Co	Gadson, Ala	61750134	145. Atlas Foundry & Machine Co	Tacoma, Wash	45751882
69. Henry Wray & Son, Inc	Rochester, N. Y	7751456	146. Milwaukee Steel Foundry Co	Milwaukee, Wis	32751611
70. Lynchburg Foundry Co	Lynchburg, Va	18750121	147. National Steel Casting Co	Montpelier, Ind	24751404
71. Franklin Foundry Co	Franklin, Pa	15752674	148. Trinidad Foundry & Machine Co	Trinidad, Colo	42750905
72. J. W. Pohlmann Foundry Co	Buffalo, N. Y	7750747	149. Hammond Malleable Iron Co	Hammond, Ind	24751819
73. Donaldson Iron Co	Emans, Pa	12751128	150. Anderson-Shumaker Co	Chicago, Ill	26750647
74. Charleroi Iron Works	Charleroi, Pa	15752372	151. Western Crucible Steel Casting Co	Minneapolis, Minn	347500282

75. Duriron Casting Co	New York, N. Y	20751078	152. Oscar Barnett Foundry Co	Irvington, N. J	11756203
76. Niles Forge & Mfg. Co	Niles, Ohio	23751465	153. Low Pipe & Supply Co	Chicago, Ill	26751240
77. Hunsicker Engineering Co	Lebanon, Pa	13750178	154. Standard Crucible Steel Casting Co	Milwaukee, Wis	32752257
78. Union Mfg. Co	New Britain, Conn	8751648	155. Tindel-Morris Co	Eddystone, Pa	12750645
79. Pittsburgh Malleable Iron Co	Pittsburgh, Pa	15751161	156. The Acme Foundry Co	Cleveland, Ohio	23751529
80. St. Louis Malleable Casting Co	St. Louis, Mo	36750256	157. Imperial Drop Forge Co	Indianapolis, Ind	24750876
81. Chicasaw Machine & Fdry Co	Memphis, Tenn	55751055	158. Jaeschke Bros. Foundry Co	Milwaukee, Wis	32752016
82. Champion Blower & Forge Co	Lancaster, Pa	13750253	159. Cream City Foundry Co	Milwaukee, Wis	32751535
83. G. & C. Foundry Co	Sandusky, Ohio	21750163	160. Higgins Spring and Axle Co	Racine, Wis	32751570
84. Davison & Farnum Mfg. Co	Waltham, Mass	1753747	161. Illinois Malleable Iron Co	Chicago, Ill	26753185
85. Hamilton Foundry & Machine Co	Hamilton, Ohio	20751229	162. H. C. Macaulay Foundry Co	Berkeley, Calif	47750963
86. Capitol Foundry Co	Hartford, Conn	8750377	163. Crucible Steel Casting Co	Milwaukee, Wis	32751884
87. Reynolds-Chalon Foundry Co	Watervliet, N. Y	5750590	164. Paxton Mitchell Co	Omaha, Nebr	39750851
88. Central Specialty Co	Detroit, Mich	30750205	165. Allegheny Forging Co	Pittsburgh, Pa	15752968
89. Fort Pitt Malleable Iron Co	Pittsburgh, Pa	15751381	166. The Bessemer Foundry Co	Grove City, Pa	15752850
90. Fruin Drop Forge Co	Chicago, Ill	26752495	167. North Wales Foundry Co	North Wales, Pa	12752755
91. Niagara Electric Steel Corp	N. Tonawanda, N. Y	7750586	168. Benton Harbor Malleable Foundry Co	Benton Harbor, Mich	31750163
92. North West Foundries, Inc	Rochester, N. Y	7751299	169. The James F. Powers Foundry Co	Elkton, Md	16751005
93. U. S. Malleable Iron Co	Toledo, Ohio	21750404	170. The H. P. Deuscher Co	Hamilton, Ohio	20751404
94. Medina Iron & Brass Co	Medina, N. Y	7751256	171. Riverside Steel Casting Co	Kearny, N. J	11757921
95. Millbury Steel Foundry Co	Millbury, Mass	1753902	172. Logansport Radiator Equipment Co	Logansport, Ind	24751101
96. American Abrasive Metals Co	New York, N. Y	2750488	173. Beloit Foundry Co	So. Beloit, Ill	26751325
97. Scullin Steel Co	St. Louis, Mo	36750968	174. The Canton Drop Forging & Mfg. Co	Canton, Ohio	23751532
98. Bonney-Floyd Co	Columbus, Ohio	22750100	175. The Ajax Metal Co. of the South	Philadelphia, Pa	12751988
99. Penn Foundry Mfg. Co	Reading, Pa	12751543	176. Madco Foundry & Machine Co	Phoenixville, Pa	12752213
100. The Star Foundry Co	Troy, Ohio	20751369	177. Alex Kilpatrick & Sons Fdry. Co	St. Louis, Mo	36750768
101. Atlas Steel Casting Co	Buffalo, N. Y	7750497	178. The Keagy & Lear Machine Co	Coshocton, Ohio	23750505
102. The Ohio Steel Foundry Co	Lima, Ohio	21750291	179. The Ober Mfg. Co	Chagrin Falls, Ohio	23750325
103. Lebanon Steel Foundry	Lebanon, Pa	13750378	180. Verona Steel Castings Co	Butler, Pa	15750338
104. National Cast Iron Pipe Co	Birmingham, Ala	61750400	181. W. P. Taylor Co	Buffalo, N. Y	7750260
105. Sharon Foundry Co	Wheatland, Pa	15751190	182. Iowa Pipe & Tile Co	Des Moines, Iowa	35750677
106. J. H. Williams & Co	Brooklyn, N. Y	4752714	183. Excelsior Foundry Co	Bellesville, Ill	29750120
107. Birdsboro Steel Foundry & Machine Co	Birdsboro, Pa	12750881	184. Consumers Supply Co	Milwaukee, Wis	32752876
108. Wyman-Gordon Co	Worcester, Mass	1752737	185. Swedish Crucible Steel Co	Detroit, Mich	30750679
109. National Pipe & Foundry Co	Attalla, Ala	61750407	186. Davies & Thomas Co	Catasauqua, Pa	12751585
110. Albion Malleable Inc. Co	Albion, Mich	3075009	187. The Belden Machine Co	New Haven, Conn	8750162
111. Steiger & Kerr Stove & Foundry Co	San Francisco, Calif	47752021			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: ELECTRICAL MACHINERY, ELECTRICAL APPARATUS, ETC.

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess profits tax (5)	Total tax (6)										
CODE IS-14																
1	$20,100	$20,100	$3,296	$197	--------	$197	5.98	$3,099	16.40	16.40	15.42	15.42	$20,200	[1] $190	−0.94	17.34
2	4,000	15,354	3,929	235	--------	235	5.98	3,694	98.22	25.58	92.35	24.04	4,000	5,172	129.30	------------
3	10,000	15,736	3,784	227	--------	227	6.00	3,557	37.84	24.04	35.57	22.60	10,000	1,648	16.48	21.36
4	8,810	13,742	3,979	238	$3	241	6.08	3,738	45.16	28.94	42.42	27.18	8,810	[1] 1,185	−13.45	58.61
5	100,000	273,933	75,670	3,691	14,139	17,830	23.56	57,840	75.67	27.62	57.84	21.11	100,000	45,029	45.03	30.64
6	38,125	48,679	38,284	1,305	16,525	17,830	46.57	20,454	100.40	78.64	53.64	42.02	38,125	15,977	41.90	58.50
7	13,800	23,220	4,331	259	--------	259	5.98	4,072	31.38	18.65	29.51	17.54	13,800	1,880	13.62	17.76
8	25,000	69,538	24,028	1,132	5,472	6,604	27.48	17,424	96.11	34.55	69.70	25.06	25,000	28,172	112.69	------------
9	8,360	15,300	7,057	328	1,576	1,904	26.98	5,153	84.41	46.12	61.64	33.68	7,360	3,422	46.49	37.92
10	20,000	32,887	12,226	569	2,738	3,307	27.04	8,919	61.13	37.17	44.60	27.12	17,700	13,949	78.81	------------
11	100,000	338,815	102,877	4,837	22,255	27,092	26.33	75,785	102.88	30.36	75.79	22.36	100,000	102,358	102.36	.52
12	20,000	23,319	11,001	465	3,239	3,704	33.64	7,297	55.01	47.17	36.49	31.29	20,000	1,804	9.02	45.99
13	504,000	1,274,204	373,598	17,442	82,559	100,001	26.77	273,597	74.13	29.30	54.29	21.46	56,000	315,358	563.14	------------
14	43,000	43,000	16,773	749	4,283	5,032	29.99	11,741	39.01	39.01	27.30	27.30	43,000	25,941	60.33	------------
15	20,000	24,779	8,853	433	1,635	2,068	23.35	6,785	44.27	35.73	33.93	27.38	19,500	7,639	39.13	5.14
16	10,000	36,416	8,207	447	757	1,204	14.67	7,003	82.07	22.53	70.03	19.23	10,000	3,331	33.31	48.76
17	288,300	645,375	332,757	12,655	119,568	132,223	39.73	200,534	.42	51.56	69.56	31.07	291,800	88,602	30.36	85.06
18	10,000	58,850	12,291	731	106	837	6.81	11,454	122.91	20.89	114.54	19.46	10,000	9,168	91.68	31.23
19	250,000	296,643	69,097	3,540	10,086	13,626	19.72	55,471	27.64	23.29	22.19	18.70	250,000	51,753	20.70	6.94
20	50,000	29,278	13,089	560	3,751	43,110	32.94	8,778	26.18	44.71	17.56	29.98	10,000	10,657	106.57	------------
21	30,000	30,000	6,180	353	288	641	10.37	5,539	20.60	20.60	18.46	18.46	30,000	3,930	13.10	7.50
22	50,000	65,774	32,306	1,273	11,082	12,355	38.21	19,951	64.61	49.12	39.90	30.33	50,000	14,882	29.76	34.85
23	3,650	4,937	5,206	247	1,086	1,333	25.61	3,873	142.63	105.45	106.11	78.45	2,837	1,287	45.36	97.27
24	35,000	37,281	13,375	622	3,006	3,628	27.13	9,747	38.21	35.88	27.85	26.14	15,000	19,244	128.29	------------
25	81,583	66,815	29,358	1,220	9,017	10,237	34.87	19,121	35.99	43.94	23.41	28.62	50,000	7,550	15.10	20.89
26	500,000	541,115	237,449	9,628	76,533	86,161	36.29	151,288	47.49	43.88	30.26	27.96	250,000	153,892	61.56	------------
27	1,300	21,060	4,475	268	--------	268	5.99	4,207	344.23	21.25	323.62	19.98	13,000	2,400	18.46	325.77
28	192,400	1,514,660	333,894	17,192	47,345	64,537	19.33	269,357	173.54	22.04	140.00	17.78	192,400	493,230	256.36	------------

29	125,000	232,855	50,309	2,577	7,344	9,921	19.72	40,388	40.25	21.61	32.31	17.34	105,000	100,680	95.89	----------
30	50,000	63,532	12,047	668	918	1,586	13.17	10,461	24.09	18.96	20.92	16.46	50,000	6,542	13.08	11.01
31	50,000	113,600	19,390	1,054	1,810	2,864	14.77	16,526	38.78	17.07	33.05	14.55	50,000	21,254	42.51	----------
32	100,000	220,877	92,139	3,784	29,061	32,845	35.65	59,294	92.14	41.72	59.24	26.85	100,000	93,524	93.52	----------
33	87,800	89,366	32,380	1,435	8,461	9,896	30.56	22.484	36,.88	36.23	25.61	25.16	53,530	19,312	36.08	.80
34	17,900	17,900	3,015	181	--------	181	6.00	2,834	16.84	16.84	15.83	15.83	17,900	3,585	20.02	----------
35	80,100	32,717	5,474	325	46	371	6.78	5,103	6.83	16.73	6.37	15.60	13,310	8,877	66.69	----------
36	21,000	30,396	8,392	435	1,126	15,610	18.60	6,831	39.96	27.61	32.53	22.47	21,000	5,307	25.27	14.69
37	686,583	802,343	397,952	15,363	141,894	157,257	39.52	240,695	57.96	49.60	35.06	30.00	689,000	212,099	30.78	27.18
38	250,000	203,453	83,769	3,462	26,061	29,523	35.24	54,246	33.51	41.17	21.70	26.66	250,000	35,992	14.40	19.11
39	15,000	21,628	9,865	432	2,652	3,084	31.26	6,781	65.77	45.61	45.21	31.35	15,000	7,249	48.33	17.44
40	15,000	32,513	16,914	673	5,690	6,363	37.62	10,551	112.76	52.02	70.34	32.45	15,000	4,808	32.05	80.71
41	75,000	162,870	44,643	2,198	8,007	10,205	22.86	34,438	59.52	27.41	45.92	21.14	75,000	72,893	97.19	----------
42	150,000	112,275	32,754	1,591	6,224	7,815	23.86	24,939	21.84	29.17	16.63	22.21	25,000	62,031	248.13	----------
43	24,000	70,509	25,507	1,156	6,208	7,364	28.87	18,143	106.28	36.18	75.60	25.73	24,000	34,753	144.80	----------
44	10,000	10,000	4,854	253	632	885	18.23	3,969	48.54	48.54	39.69	39.69	4,500	1,371	30.47	18.07
45	2,000	25,234	5,193	307	58	365	7.03	4,828	259.65	20.58	241.40	19.13	2,000	11,022	551.10	----------
46	600,000	612,341	144,773	7,353	22,209	29,562	20.41	115,211	24.13	23.64	19.20	18.81	300,000	151,003	50.33	----------
47	20,000	22,922	5,869	332	332	663	11.30	5,206	29.35	25.60	26.03	22.71	15,000	3,383	22.55	6.80
48	30,000	109,760	21,360	1,164	1,941	3,105	14.54	18,255	71.20	19.46	60.85	16.63	30,000	14,638	48.79	22.41
49	181,000	139,333	44,444	2,092	9,576	11,668	26.25	32,776	24.55	31.90	18.11	23.52	25,000	28,793	115.17	----------
50	25,000	38,811	12,669	620	2,331	2,951	23.29	9,718	50.68	32.64	38.87	25.04	25,000	14,379	57.52	----------
51	50,000	79,501	19,624	1,018	2,651	3,669	18.70	15,955	39.25	24.68	31.91	20.07	50,000	33,450	66.90	----------
52	45,000	24,863	5,318	308	179	487	9.16	4,831	11.82	21.39	10.74	19.43	15,000	12,363	82.42	----------
53	20,200	20,200	6,427	339	842	1,181	18.38	5,246	31.82	31.82	25.97	25.97	20,200	8,360	41.39	----------
54	20,000	27,225	9,805	471	1,947	2,418	24.66	7,387	49.03	36.01	36.94	27.13	10,000	10,160	101.60	----------
55	19,500	42,349	15,217	707	3,435	4,142	27.22	11,075	78.04	35.93	56.79	26.15	19,500	16,075	82.44	----------
56	150,000	622,713	115,120	6,169	12,300	18,469	16.04	93,651	76.75	18.49	64.43	15.52	150,000	435,372	290.25	----------
57	300,000	651,424	151,069	7,706	22,634	30,340	20.08	120,729	50.36	23.19	40.24	18.53	250,000	185,972	74.39	----------
58	180,000	180,000	39,929	2,041	5,905	7,946	19.90	31,983	22.18	22.18	17.77	17.77	179,825	27,458	15.27	6.91
59	5,400	32,817	5,752	345	--------	345	6.00	5,407	106.52	17.53	100.13	16.48	5,400	693	12.83	93.69
60	300,000	374,283	65,300	3,457	7,678	11,135	17.05	54,165	21.77	17.45	18.05	14.47	200,000	12,902	6.45	15.32
61	94,400	114,740	22,997	1,246	2,228	3,474	15.11	19,523	24.36	20.04	20.68	17.01	94,400	30,803	32.63	----------
62	24,000	29,319	6,842	376	545	921	13.46	5,921	28.51	23.34	24.67	20.20	24,000	[1] 10	-.04	28.55
63	37,500	773,514	124,967	6,871	10,435	17,306	13.85	107,661	333.25	16.16	287.10	13.92	37,500	76,548	204.13	129.12
64	20,000	13,410	3,879	232	--------	232	5.98	3,647	19.39	28.93	18.23	27.20	20,000	7,564	37.82	----------
65	1,000,000	1,377,753	255,676	12,299	20,685	32,984	14.62	192,692	22.57	16.38	19.27	13.99	1,000,000	204,688	20.47	2.10
66	750,000	1,051,951	352,556	15,839	88,559	104,398	29.61	248,158	47.01	33.42	33.09	23.52	600,000	295,360	49.23	----------
67	61,700	227,886	125,497	4,688	47,352	52,040	41.47	73,457	203.40	55.07	119.06	32.23	61,700	77,732	125.98	77.42
68	22,100	22,985	4,734	291	43	334	7.06	4,400	21.42	20.60	19.91	19.14	18,000	6,323	35.13	----------
69	22,500	30,743	18,581	702	6,871	7,573	40.76	11,008	82.58	60.44	48.92	35.81	22,500	12,589	55.95	26.63
70	300,000	625,947	209,505	9,582	49,789	59,371	28.34	150,134	69.84	33.47	50.04	23.99	300,000	201,777	67.26	2.58
71	95,500	821,648	311,403	13,425	87,644	101,069	32.46	210,334	326.08	37.90	220.25	25.60	95,500	224,043	234.60	91.48
72	60,000	60,000	10,447	583	721	1,304	12.48	9,143	17.41	17.41	15.24	15.24	60,000	10,057	16.76	.65
73	38,000	45,256	14,298	687	2,824	3,511	24.56	10,787	37.63	31.59	28.39	23.83	38,000	10,089	26.55	11.08
74	355,959	404,406	94,266	4,719	15,610	20,329	21.57	73,937	26.48	23.31	20.77	18.28	356,059	28,042	7.88	18.60
75	5,000	32,695	10,921	526	2,141	2,667	24.42	8,254	218.42	33.40	165.08	25.25	2,500	10,456	418.24	----------
76	47,500	63,449	9,958	567	503	1,070	10.75	8,888	20.96	15.69	18.71	14.01	47,500	4,637	9.76	11.20

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[1] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: ELECTRICAL MACHINERY, ELECTRICAL APPARATUS, ETC.—Continued

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profit tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE Is-14—Continued.																
77	$75,000	$181,834	$53,250	$2,767	$7,107	$9,874	18.54	$43,376	71.00	29.28	57.83	23.85	$75,000	$26,286	35.05	35.95
78	300,000	397,709	123,876	5,710	28,696	34,406	27.77	89,470	41.29	31.15	29.82	22.50	300,000	70,670	23.56	17.73
79	803,650	1,524,376	241,309	12,861	26,953	39,814	16.50	201,495	30.03	15.83	25.07	13.21	450,000	196,781	43.73	----------
80	4,000,000	5,011,071	826,210	44,882	78,170	123,052	14.89	703,158	20.66	16.49	17.58	14.03	3,000,000	1,064,896	35.50	----------
81	100,000	199,118	80,294	3,378	23,981	27,359	34.07	52,935	80.29	40.32	52.94	26.58	100,000	58,666	58.67	21.62
82	59,000	71,614	14,962	797	1,664	2,461	16.45	12,501	25.36	20.89	21.19	17.46	44,600	14,319	32.11	----------
83	47,000	49,133	18,792	841	4,776	5,617	29.89	13,175	39.98	38.25	28.03	26.81	50,000	30,072	60.14	----------
84	75,000	75,000	12,971	734	730	1,464	11.29	11,507	17.29	17.29	15.34	15.34	5,000	[1] 98	—1.96	19.25
85	3,000	8,501	5,232	258	931	1,189	22.73	4,043	174.40	61.55	134.76	47.56	3,000	4	.13	174.27
86	60,000	109,750	33,888	1,618	6,912	8,530	25.17	25,358	56.48	30.88	42.26	23.11	60,000	19,595	32.66	23.82
87	1,000,000	928,887	193,228	10,108	24,765	34,873	18.05	158,355	19.32	20 80	15.84	17.05	1,000,000	61,897	6.19	13.13
88	10,000	15,509	9,882	387	[2] 3,412	3,799	38.44	6,083	98.82	63.72	60.83	39.22	10,000	10,270	102.70	----------
89	874,500	318,741	132,723	5,478	41,422	46,900	35.34	85,823	15.18	41.64	9.81	26.93	875,000	[1] 2,865	—.33	15.51
90	100,000	601,524	98,980	5,410	8,806	14,216	14.36	84,764	98.98	16.46	84.76	14.09	100,000	140,129	140.13	----------
91	12,100	23,417	8,413	412	1,515	1,927	22.90	6,486	69.53	35.93	53.60	27.70	12,000	3,454	28.78	40.75
92	375,000	495,392	132,978	6,394	26,062	32,456	24.41	100,522	35.46	26.84	26.81	20.29	375,000	50,004	13.33	22.13
93	100,000	150,000	38,817	1,918	6,892	8,810	22.70	30,007	38.82	25.88	30.01	20.00	100,000	31,700	31.70	7.12
94	146,700	182,621	35,787	1,724	[3] 3,075	4,799	03.41	30,988	24.39	19.59	21.12	16.97	146,700	41,787	28.48	----------
95	430,100	590,364	153,316	7,438	29,333	36,771	23.98	116,545	35.65	25.97	27.10	19.74	414,500	199,220	48.06	----------
96	5,000	7,822	3,867	216	32	248	6.41	3,619	77.34	49.44	72.40	46.27	5,000	1,871	37.42	39.92
97	150,000	161,828	68,054	2,834	20,813	23,647	34.75	44,407	45.37	42.05	29.60	27.44	126,166	52,370	41.51	3.86
98	5,000	61,449	52,115	1,729	23,295	25,024	48.02	27,091	1,042.30	84.81	541.82	44.09	5,000	16,667	333.34	708.96
99	5,000	100,522	24,025	1,108	[3] 3,235	4,343	18.08	19,682	480.50	23.90	393.64	19.58	5,000	14,762	295.24	185.26
100	141,700	338,127	117,699	5,384	27,688	33,072	28.10	84,627	83.06	34.81	59.72	25.03	141,400	60,270	42.62	40.44
101	35,000	179,527	49,966	2,489	8,431	10,920	21.85	39,046	142.76	27.83	111.56	21.75	23,750	45,261	190.57	----------
102	3,000	5,827	3,683	215	95	310	8.42	3,373	122.77	63.21	112.43	57.89	3,000	2,747	91.57	31.20
103	100,000	280,986	42,363	2,305	3,943	6,248	14.75	36,115	42.36	15.08	36.12	12.85	100,000	50,195	50.20	----------
104	300,000	406,651	200,671	7,780	71,004	78,784	39.26	121,887	66.89	49.35	40.63	29.97	300,000	134,839	44.95	21.94
105	21,850	16,474	7,308	336	1,700	2,036	27.86	5,272	33.45	44.36	24.13	32.00	11,250	5,590	49.69	----------

106	305,000	186,863	78,183	3,235	24,260	27,495	35.17	50,688	25.63	41.84	16.62	27.13	125,000	96,750	77.40	----------
107	150,000	205,839	56,705	2,777	10,405	13,182	23.25	43,523	37.80	27.55	29.02	21.14	150,000	38,961	25.97	11.83
108	500,000	919,271	141,081	7,800	11,069	18,869	13.37	122,212	28.22	15.35	24.44	13.29	400,000	163,395	40.85	----------
109	246,200	276,968	54,389	2,840	7,042	9,882	18.17	44,507	22.09	19.64	18.08	16.07	246,200	42,765	17.37	4.72
110	260,800	504,856	200,904	8,492	59,359	67,851	33.77	133,053	77.03	39.79	51.02	26.35	255,991	168,895	65.98	11.05
111	25,000	8,000	8,433	345	2,679	3,024	35.86	5,409	33.73	105.41	21.64	67.61	8,000	4,555	56.94	----------
112	81,000	304,560	76,338	3,843	12,280	16,123	21.12	60,215	94.24	25.07	74.34	19.77	81,000	38,609	47.67	46.57
113	10,000	37,058	18,413	741	6,054	6,795	36.90	11,618	184.13	49.69	116.18	31.35	10,000	20,870	208.70	----------
114	32,500	45,032	8,032	460	349	809	10.07	7,223	24.71	17.84	22.22	16.04	26,500	5,635	21.26	3.45
115	10,000	126,937	27,604	1,459	3,285	4,744	17.19	22,860	276.04	21.75	228.60	18.01	10,000	45,229	452.29	----------
116	100,000	142,418	30,220	1,569	4,066	5,635	18.65	24,585	30.22	21.22	24.59	17.26	250,000	[1] 4,193	−1.68	31.90
117	25,000	35,783	16,070	681	4,705	5,386	33.52	10,684	64.28	44.91	42.74	29.86	19,500	12,148	62.30	1.98
118	1,122,600	1,764,857	639,721	28,096	171,450	199,546	31.19	440,175	56.99	36.25	39.21	24.94	572,600	700,377	122.32	----------
119	25,000	25,000	15,388	763	2,660	3,423	22.24	11,965	61.55	61.55	47.86	47.86	25,000	3,318	13.27	48.28
120	100,000	428,750	137,711	6,388	30,774	37,162	26.99	100,549	137.71	32.12	100.55	23.45	100,000	127,936	127.94	9.77
121	184,500	270,371	108,375	4,518	33,062	37,580	34.68	70,795	58.74	40.08	38.37	26.18	149,215	82,980	55.61	3.13
122	47,600	65,991	7,989	479	--------	479	5.99	7,510	16.78	12.11	15.78	11.38	35,200	9,958	28.29	----------
123	18,000	37,790	5,748	343	20	363	16.32	5,385	31.94	15.21	29.92	14.25	18,000	[1] 15,875	−88.19	120.13
124	42,000	26,016	13,486	543	4,427	4,970	36.85	8,516	32.11	51.84	20.28	32.73	42,000	[1] 75	−.18	32.29
125	50,000	53,434	13,109	686	1,663	2,349	17.92	10,760	26.22	24.53	21.52	20.14	50,000	15,249	30.50	----------
126	100,000	319,797	52,583	2,891	4,390	7,281	13.85	45,302	52.58	16.44	45.30	14.17	100,000	12,509	12.51	40.07
127	75,000	287,773	131,287	5,258	43,639	48,897	37.24	82,390	175.05	45.62	109.85	28.63	15,000	77,900	519.33	----------
128	25,000	77,270	31,406	1,346	8,971	10,317	32.85	21,089	125.62	40.64	84.36	27.29	25,000	20,112	80.45	45.17
129	9,000	15,080	4,733	264	327	591	12.49	4,142	52.59	31.39	46.02	27.47	9,000	2,927	32.52	20.07
130	77,950	33,860	22,942	828	9,138	9,966	43.44	12,976	29.43	67.76	16.65	38.22	12,000	14,663	122.19	----------
131	511,300	695,946	139,187	7,364	16,450	23,814	17.11	115,373	27.22	20.00	22.56	16.58	100,000	164,603	164.60	----------
132	260,400	673,943	42,747	2,564	--------	2,564	6.00	40,183	16.42	6.34	15.43	5.96	261,400	46,530	17.80	----------
133	31,800	41,750	5,666	339	--------	339	5.98	5,327	17.82	13.57	16.75	12.76	25,000	3,574	14.30	3.52
134	50,000	95,965	9,387	573	--------	573	6.10	8,814	18.77	9.78	17.63	9.18	50,000	4,550	9.10	9.67
135	20,050	218,332	27,864	1,609	1,042	2,651	9.52	25,213	138.97	12.76	125.75	11.55	20,050	20,563	102.56	36.41
136	536,600	742,452	88,042	4,885	6,614	11,499	13.06	76,543	16.41	11.86	14.26	10.31	536,600	70,085	13.06	3.35
137	204,900	280,764	95,273	4,280	23,927	28,207	29.61	67,066	46.50	33.93	32.73	23.89	204,900	31,015	15.14	31.36
138	10,000	72,518	5,526	331	--------	331	5.99	5,195	55.26	7.62	51.95	7.16	10,000	18,104	181.04	----------

[1] Loss.

[2] 11 months.

[3] 10 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE IS-14

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Dielectric Mfg. Co	St. Louis, Mo	36750392	71. Sangamo Electric Co	Springfield, Ill	28750017
2. The Electric Development Co	Cumberland, Md	16751106	72. Victor S. Pearlman & Co	Chicago, Ill	26750056
3. The Jewel Electric Co	Baltimore, Md	16750181	73. The Adapti Co	Cleveland, Ohio	23750974
4. Electro Mechanical Co	Baltimore, Md	16750924	74. General Acoustic Co	New York, N. Y	4750598
5. The Packard Electric Co	Warren, Ohio	23751900	75. C. J. Anderson & Co	Chicago, Ill	26751924
6. The Monitor Controller Co	Baltimore, Md	16750335	76. Kelley Electric Machine Co	Buffalo, N. Y	7750358
7. The Shill Co	Washington, D. C	16751243	77. Runzel Lenz Electric Mfg. Co	Chicago, Ill	26752205
8. Line Material Co	S. Milwaukee, Wis	32752954	78. The Pittsburgh High Voltage Insulator Co	Derry, Pa	15752654
9. Patrick and Wilkins Co	Philadelphia, Pa	12750637	79. Stromberg-Carlson Telephone Mfg. Co	Rochester, N. Y	7751400
10. The Elliott-Thompson Electric Co	Cleveland, Ohio	23750775	80. Kellogg Switchboard & Supply Co	Chicago, Ill	26752215
11. Chicago Insulated Wire & Mfg. Co	Sycamore, Ill	26752333	81. The Hisey-Wolf Machine Co	Cincinnati, Ohio	20750584
12. Mitchell-Rand Mfg. Co	N. Y., N. Y	2751718	82. Lewis & Roth Co	Philadelphia, Pa	12750374
13. Ansonia Electrical Co	Ansonia, Conn	8750088	83. Henkel & Best Co	Chicago, Ill	26750423
14. Blake Signal Mfg. Co	Boston, Mass	1751531	84. The Kelman Electric & Mfg. Co	Los Angeles, Calif	48751329
15. Penn Electrical & Mfg. Co	Irwin, Pa	15752651	85. C. & P. Electric Works, Mass. Trust	Springfield, Mass	1752858
16. Wm. Wurdack Electrical Mfg. Co	St. Louis, Mo	36751316	86. Illinois Electric Porcelain Co	Macombe, Ill	28750120
17. Joslyn Mfg. & Supply Co	Chicago, Ill	26751841	87. Wheeler-Scheller Carburetor Co	Indianapolis, Ind	24750655
18. Waite & Bartlett Mfg. Co	N. Y., N. Y	3750168	88. Charlotte Electric Repair Co., Inc	Charlotte, N. C	57750805
19. Walker Vehicle Co	Chicago, Ill	26753707	89. The Hess Steel Corporation	Baltimore, Md	16750857
20. Multi Refillable Fuse Co	Chicago, Ill	26753933	90. Hotpaint Electric Heating Co	Ontario, Calif	48750318
21. Connecticut Dynamo & Motor Co	Irvington, N. J	11756355	91. The Burkett Lightning Rod Co	Fremont, Ohio	21750035
22. Majestic Electric Development Co	San Francisco, Calif	47750949	92. The Haughton Elevator & Machine Co	Toledo, Ohio	21750187
23. Southern States Electric Co	Birmingham, Ala	61750506	93. The Ideal Electric & Mfg. Co	Mansfield, Ohio	23750227
24. Brown & Hall Supply Co	St. Louis, Mo	36750130	94. Coulon Electric Washer Co	Chicago, Ill	26754038
25. W. N. Matthews & Bros., Inc	St. Louis, Mo	36750158	95. The Webster Electric Co	Racine, Wis	32752304
26. Crescent Insulated Wire & Cable Co	Trenton, N. J	10750475	96. Colonial Manufacturing Co	Chattanooga, Tenn	55750923
27. Arthur Jones Electric Co	Chicago, Ill	26750753	97. The P. A. Geier Co	Cleveland, Ohio	23752634
28. The Karite Insulated Wire & Cable Co	N. Y., N. Y	2752718	98. Delta Star Electric Co	Chicago, Ill	26753012
29. The W. G. Nagel Electric Co	Toledo, Ohio	21750286	99. Engbergs Electric Mechanical Works	St. Joseph, Mich	31750585
30. Universal Battery Co	Chicago, Ill	26751070	100. Ward Leonard Electric Co	Mt. Vernon, N. Y	5750755
31. The Houser Elevator Co	Syracuse, N. Y	6750408	101. Steel City Electric Co	Pittsburgh, Pa	15752642
32. D. M. Dillon Steam Boiler Works (sheet 2)	Fitchburg, Mass	1751481	102. Union Electric Mfg. Co	So. Bend, Ind	24750866
33. Steiner Mfg. Co	St. Louis, Mo	36751063	103. Monarch Electric & Wire Co	Chicago, Ill	26751259
34. Williams Articular Co	Chicago, Ill	26750585	104. The Cutter Electrical & Mfg. Co	Philadelphia, Pa	12750679
35. St. Louis Electrical Works	St. Louis, Mo	36751380	105. The Standard Electric Tool Co	Cincinnati, Ohio	20751366
36. Holt Electric Co	Milwaukee, Wis	32751572	106. Illinois Wire & Cable Co	Sycamore, Ill	26750364
37. Moloney Electric Co	St. Louis, Mo	36751442	107. Kokomo Electric Co	Kokomo, Ind	24750662
38. Electrose Mfg. Co	Brooklyn, Y. Y	4750351	108. The Indiana Rubber & Insulated Wire Co	Jonesboro, Ind	24751640
39. Heine Mann Electric Co	Phila., Pa	12750987	109. Dossert & Co	New York, N. Y	3752579
40. The Barkelen Electric Mfg. Co	Middleton, Ohio	20750247	110. The Lincoln Electric Co	Cleveland, Ohio	23752649

41. Rajah Auto-Supply Co	Bloomfield, N. J	11757321
42. Berks Engineering Co	Reading, Pa	12751782
43. The Findlay Electric Porcelain Co	Findlay, Ohio	21750142
44. New Orleans Electric Welding Co., Inc	N. Orleans, La	62750200
45. Bussman Mfg. Co	St. Louis, Mo	36750903
46. Phila. Storage Battery Co	Phila., Pa	12751651
47. Lemke Electric Co	Milwaukee, Wis	32752056
48. S. H. Couch Co., Inc	Norfolk Downs, Mass	1752014
49. Allen-Bradley Co	Milwaukee, Wis	32751794
50. Chattanooga Armature Works	Chattanooga, Tenn	55751057
51. Birtman Electric Co	Chicago, Ill	26750162
52. J. & H. Electric Co	Providence, R. I	8750539
53. Trenton Electric & Conduit Co	Trenton, N. J	10750081
54. The Cleverly Electrical Works, Inc	Phila., Pa	2750169
55. Clark & Mills Electric Co	Cambridge, Mass	1752286
56. Pittsburgh Transformer Co	Pittsburgh, Pa	00051168
57. Pass & Seymour, Inc	Solway, N. Y	6750640
58. The Imperial Electric Company	Akron, Ohio	23751194
59. The Hertner Electric Mfg. Co	Cleveland, Ohio	23750737
60. Stackpole Carbon Co	St. Marys, Pa	15752209
61. The Mossberg Wrench Co	Providence, R. I	8751092
62. National Welding Co	Buffalo, N. Y	7751278
63. Irvington Varnish & Insulator Co	Irvington, N. J	11756850
64. International Battery Co	New York, N. Y	3750044
65. Century Electric Co	St. Louis, Mo	36750533
66. North East Electric Co	Rochester, N. Y	7751298
67. Skillin & Richards Mfg. Co	Chicago, Ill	26752423
68. Saylor Electric Mfg. Co	Wheeling, W. Va	19751038
69. The Maryland Welding Co	Balto., Md	16750835
70. The Fibre Conduit Co	Orangeburg, N. Y	5750225
111. Robertson Sales Co., Inc	Birmingham, Ala	61750468
112. E. K. Dynamo & Motor Co	Belleville, N. J	11756566
113. Indianapolis Mfg. Co	Indianapolis, Ind	24751253
114. The Automatic Reclosing Circuit Breaker Co	Columbus, Ohio	22750026
115. The Carlisle & Finch Co	Cincinnati, Ohio	20750286
116. The Esterline Co	Indianapolis, Ind	24750998½
117. The Dillon Electric Co	Canton, Ohio	23751726
118. The Electric Controller & Mfg. Co	Cleveland, Ohio	23751749
119. Ne Page-McKenny Co	Seattle, Wash	45750431
120. Roller Smith Co	New York, N. Y	2750194
121. The Electrical Alloy Co	Morristown, N. J	11756527
122. Cleveland Electrical & Machine Mfg. Co	Cleveland, Ohio	23750180
123. Electric Apparatus Co	Chicago, Ill	26750687
124. Blake Electric Mfg. Co	Boston, Mass	1750137
125. Insulating Materials Co	Detroit, Mich	30750930
126. American Electrical Heater Co	Detroit, Mich	30750069
127. Square D. Co. (formerly Detroit Fuse & Mfg. Co.).	Detroit, Mich	30751022
128. The Hercules Electric Co	Indianapolis, Ind	24751059
129. The States Co	Hartford, Conn	8751484
130. General Devices and Fittings Co	Chicago, Ill	26752181
131. D. & W. Fuse Co	Providence, R. I	8750603
132. The Macallen Co	Boston, Mass	1751276
133. Barber Electric Mfg. Co	North Attleboro, Mass	1750371
134. Universal Cutter Co	St. Louis, Mo	36750982
135. G. & W. Electric Specialty Co	Chicago, Ill	26751177
136. General Porcelain Co	Parkersburg, W. Va	19750342
137. W. R. Ostrander & Co	New York, N. Y	2753358
138. Arrow Mfg. Co	Toledo, Ohio	21750554

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: ENGINES (STEAM, GASOLINE, OIL, ELECTRICAL)

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess profits tax (5)	Total tax (6)										
CODE Is-15																
1	$38, 175	$40, 714	$7, 894	$448	$409	$857	10. 86	$7, 037	20. 68	19. 39	18. 43	17. 28	$34, 825	$2, 467	7. 08	13. 60
2	107, 800	112, 386	18, 574	1, 021	1, 541	2, 562	13. 79	16, 012	17. 23	16. 53	14. 85	14. 25	107, 800	10, 356	9. 61	7. 62
3	30, 592	30, 592	5, 457	285	706	991	18. 15	4, 466	17. 84	17. 84	14. 60	14. 60	216, 000	7, 128	3. 30	14. 54
4	28, 500	28, 500	6, 633	367	503	870	13. 12	5, 763	23. 27	23. 27	20. 22	20. 22	28, 500	750	2. 63	20. 64
5	250, 000	598, 176	98, 284	5, 218	11, 310	16, 529	16. 82	81, 756	39. 31	16. 43	32. 70	13. 67	250, 000	38, 731	15. 49	23. 82
6	100, 000	130, 941	41, 822	1, 954	9, 250	11, 204	26. 79	30, 618	41. 82	31. 94	30. 62	23. 38	1, 000	5, 741	574. 10	----------
7	463, 400	481, 750	73, 500	4, 080	5, 490	9, 750	13. 02	63, 930	15. 86	15. 26	13. 80	13. 27	354, 500	16, 304	4. 60	11. 26
8	100, 000	115, 694	66, 527	2, 464	25, 432	27, 896	41. 93	38, 631	66. 53	57. 50	38. 63	33. 41	70, 000	56, 386	80. 55	----------
9	25, 000	73, 508	12, 431	698	796	1, 494	12. 02	10, 937	49. 75	16. 91	43. 75	14. 88	25, 000	17, 973	71. 89	----------
10	200, 000	381, 458	483, 655	14, 298	245, 344	259, 642	53. 68	224, 013	24. 18	126. 79	112. 01	58. 73	200, 000	68, 828	34. 41	----------
11	250, 000	304, 852	54, 202	2, 470	[1] 4, 797	7, 267	13. 41	46, 935	21. 68	17. 78	18. 77	15. 40	250, 000	48, 238	19. 30	2. 38
12	181, 037	114, 302	19, 518	1, 075	1, 593	2, 668	13. 67	16, 850	10. 78	17. 07	9. 31	14. 74	176, 037	6, 552	3. 72	7. 06
13	165, 000	165, 000	141, 058	4, 569	64, 895	69, 464	49. 24	71, 594	85. 49	85. 49	43. 39	43. 39	165, 000	[2] 19, 166	−11. 62	97. 11
14	50, 000	47, 651	39, 209	1, 314	17, 302	18, 616	47. 48	20, 593	78. 42	82. 29	41. 19	43. 21	25, 000	7, 898	31. 59	46. 83
15	100, 000	103, 298	90, 716	2, 956	41, 435	44, 391	48. 93	46, 325	90. 72	87. 82	46. 33	44. 85	250, 000	1, 675	. 67	90. 05
16	30, 000	30, 000	10, 633	--------	2, 630	2, 630	24. 73	8, 003	35. 44	35. 44	26. 68	26. 68	4, 000	[2] 2, 172	−54. 30	89. 79
17	500, 000	601, 188	166, 195	8, 063	31, 804	39, 867	23. 99	126, 328	33. 24	27. 64	25. 27	21. 01	494, 166	254, 598	51. 52	----------
18	20, 000	14, 558	3, 474	208	--------	208	5. 99	3, 266	17. 37	23. 86	16. 33	22. 43	20, 000	4, 109	20. 54	----------
19	244, 733	575, 865	317, 078	11, 792	120, 543	132, 335	41. 74	184, 743	129. 59	55. 06	75. 49	32. 08	239, 433	181, 494	75. 80	53. 79
20	74, 050	129, 249	11, 065	566	--------	566	5. 12	10, 499	14. 94	8. 56	14. 18	8. 12	74, 050	1, 560	2. 11	12. 83
21	147, 487	663, 221	85, 863	4, 965	3, 115	8, 080	9. 41	77, 783	58. 22	12. 95	52. 74	11. 73	147, 487	85, 863	58. 22	----------
22	100, 000	100, 000	37, 093	1, 622	10, 056	11, 678	31. 48	25, 415	37. 09	37. 09	25. 42	25. 42	100, 000	28, 309	28. 31	8. 78
23	400, 000	645, 604	166, 275	8, 254	28, 708	3, 696	22. 23	129, 213	41. 57	25. 75	32. 33	20. 03	400, 000	151, 540	37. 88	3. 69
24	600, 000	1, 153, 067	191, 310	10, 132	22, 436	32, 568	17. 02	158, 742	31. 89	16. 59	26. 46	13. 77	600, 000	[2] 10, 886	−1. 81	33. 70
25	10, 000	42, 950	7, 645	447	195	642	8. 40	7, 003	76. 45	17. 80	70. 03	16. 31	10, 000	3, 325	33. 25	43. 20
26	10, 000	14, 967	16, 970	565	7, 552	8, 117	47. 83	8, 853	169. 70	113. 38	88. 53	59. 15	10, 000	4, 701	47. 01	122. 69
27	2, 000, 000	2, 574, 942	469, 095	24, 520	60, 415	84, 935	18. 11	384, 160	23. 45	18. 22	19. 21	14. 92	2, 000, 000	302, 105	15. 11	8. 34
28	225, 000	422, 412	82, 938	4, 414	9, 363	13, 777	16. 61	69, 161	36. 86	19. 63	30. 74	16. 37	225, 000	80, 982	35. 99	. 87
29	25, 800	32, 644	7, 145	397	526	923	12. 92	6, 222	27. 69	21. 89	24. 12	19. 06	11, 800	5, 222	44. 25	----------

30	575, 000	445, 498	117, 656	5, 696	22, 719	28, 415	24. 15	89, 241	20. 46	26. 41	15. 52	20. 03	300, 000	74, 601	24. 87	------------
31	23, 000	79, 984	28, 698	1, 281	7, 240	8, 621	30. 04	20, 077	124. 77	35. 88	87. 29	25. 10	23, 000	10, 962	47. 66	77. 11
32	8, 000	12, 913	8, 225	321	[3] 1, 802	2, 123	25. 81	6, 102	102. 81	63. 70	76. 27	47. 26	8, 000	4, 913	61. 41	41. 40
33	75, 000	504, 221	209, 073	8, 683	64, 337	73, 020	34. 93	136, 053	278. 76	41. 46	181. 40	26. 98	75, 000	24, 675	32. 90	245. 86
34	912, 700	815, 276	233, 481	11, 189	46, 989	58, 178	24. 92	175, 303	25. 58	28. 64	19. 21	21. 50	346, 000	200, 797	58. 03	------------
35	18, 000	34, 941	11, 771	572	2, 225	2, 797	23. 76	8, 974	65. 39	33. 69	49. 86	25. 68	18, 000	10, 861	60. 34	5. 05
36	300, 000	254, 394	78, 661	3, 646	17, 880	21, 526	27. 37	57, 135	26. 22	30. 92	19. 04	22. 46	300, 000	5, 358	1. 79	24. 43

[1] 9 months.

[2] Loss.

[3] 7 months.

CODE Is-15

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Cummings Machine Co	Minster, Ohio	21750093	20. Commercial Engine Co	Los Angeles, Cal	48750711
2. Charter Gas Engine Co	Sterling, Ill	26753531	21. Cushman Motor Works	Lincoln, Neb	39751191
3. James Walker & Co., Ltd	New York, N. Y	2752107	22. The Carlyle Johnson Machine Co	Manchester, Conn	8751022
4. Duluth Gas Engine Co	Duluth, Minn	34750328	23. Jos. Reid Gas Engine Co	Oil City, Pa	15751669
5. The James Leffel & Co	Springfield, Ohio	20750636	24. Gas Engine & Power Co. & Chas. L. Seabury Co. (Con.)	New York, N. Y	5751009
6. Monarch Governor Co	Detroit, Mich	30750493			
7. The John Lawson Mfg. Co	New Holstein, Wis	32751214	25. Lexington Engine & Boiler Work	Lexington, Ky	53750247
8. Seattle Machine Works	Seattle, Wash	45750061	26. The Marine Engine & Boiler Co	Baltimore, Md	16750908
9. Corinth Machine Co	Corinth, Miss	61751193	27. Erie City Iron Works	Erie, Pa	15750012
10. W. A. Fletcher Co	Hoboken, N. J	11757712	28. Witte Engine Works	Kansas City, Mo	37751605
11. S. Flory Mfg. Co	Bangor, Pa	14750565	29. C. F. Braun & Co	San Francisco, Cal	47751432
12. Hope Forge & Machine Co	Mt. Vernon, Ohio	22750427	30. Seneca Falls Mfg. Co., Inc	Seneca Falls, N. Y	6750720
13. The Ironton Engine Co	Ironton, Ohio	22750454	31. Delaware Marine Mfg. Co	Wilmington, Del	16751469
14. Universal Motor Co	Oshkosh, Wis	32751352	32. Gas Engine & Boat Corporation	Norfolk, Va	17750171
15. Hefferman Engine Works	Seattle, Wash	45750247	33. Standard Gas Engine Co	Oakland, Cal	47751510
16. Lehmann Machine Co	St. Louis, Mo	36750700	34. Wisconsin Motor Mfg. Co	Milwaukee, Wis	32751681
17. Davis Mfg. Co	Milwaukee, Wis	32751279	35. Waters Governor Co	Boston, Mass	1751299
18. Kermath Mfg. Co	Detroit, Mich	30501039	36. Oil City Boiler Works	Oil City, Pa	15752806
19. C. L. Best Gas Traction Co	San Leandro, Cal	47750183			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: HARDWARE, SPECIAL AND GENERAL

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE IS-20																
1	$14,100	$28,024	$7,174	$386	$726	$1,112	15.50	$6,062	50.87	25.59	42.99	21.63	$13,300	$4,490	33.75	17.12
2	125,000	181,323	85,111	3,418	28,131	31,549	37.07	53,562	68.08	46.93	42.84	29.53	125,000	74,001	59.20	8.88
3	100,000	399,078	71,186	3,745	8,528	12,273	17.24	58,913	71.19	17.84	58.91	14.76	100,000	28,379	28.38	42.81
4	11,100	22,494	6,389	350	554	904	14.15	5,485	57.55	28.40	49.41	24.38	11,100	8,515	76.71	----------
5	10,000	43,710	9,325	513	762	1,275	13.67	8,050	93.25	21.33	80.50	18.42	10,000	18,635	186.35	----------
6	10,000	31,419	20,256	742	7,885	8,627	42.59	11,629	202.56	64.47	116.29	37.01	10,000	28,816	288.16	----------
7	193,300	261,914	42,249	2,382	[3] 2,526	4,908	11.62	37,341	21.85	16.13	19.32	14.26	193,300	1,276	.66	21.19
8	30,000	46,092	7,246	433	23	456	6.29	6,790	24.15	15.72	22.63	14.73	30,000	28,886	96.28	----------
9	25,000	70,101	32,028	1,317	10,204	11,521	35.96	20,507	128.11	45.69	82.02	29.25	35,000	22,286	63.67	64.44
10	14,800	73,763	24,469	1,136	5,525	6,661	27.22	17,808	165.33	33.17	120.32	24.14	14,800	43,992	297.24	----------
11	2,500	15,096	3,235	194	--------	194	5.99	3,041	129.40	21.42	121.64	20.14	----------	1,863	----------	----------
12	45,000	49,875	9,103	522	403	925	10.16	8,178	20.22	18.25	18.17	16.39	45,000	9,360	20.80	----------
13	72,200	47,074	11,307	594	1,404	1,998	17.67	9,309	15.66	24.01	12.89	19.77	72,400	5,445	7.52	8.14
14	75,000	286,864	133,871	5,242	46,035	51,277	38.30	82,594	178.49	46.66	110.12	28.78	75,000	152,755	203.67	----------
15	46,100	64,101	25,718	1,114	7,138	8,252	32.08	17.466	55.78	40.12	37.88	27.24	46,100	19,006	41.22	14.56
16	50,000	501,697	85,155	4,635	7,895	12,530	14.71	72,625	170.31	16.97	145.25	14.48	50,000	87,024	174.04	----------
17	75,000	129,275	31,997	1,636	4,717	6,353	19.86	25,644	42.66	24.75	34.19	19.84	75,000	25,321	33.76	8.90
18	30,000	39,619	10,593	543	1,532	2,075	19.59	8,518	35.31	26.74	28.39	21.50	15,000	10,367	69.11	----------
19	50,000	78,918	14,233	797	945	1,742	12.24	12,491	28.47	18.04	24.98	15.83	10,000	19,525	195.25	----------
20	290,000	749,210	237,616	11,043	53,483	64,526	27.16	173,090	81.94	31.72	59.69	23.10	290,000	200,544	69.15	12.79
21	150,000	1,543,437	333,156	17,238	45,849	63,087	18.93	270,069	222.10	21.59	180.05	17.50	1,539,499	315,429	20.49	201.61
22	1,500	15,158	6,291	309	1,129	1,438	22.86	4,853	419.40	41.50	323.53	32.02	1,500	15,952	1,063.47	----------
23	1,100,000	2,070,062	413,818	20,728	68,348	89,076	21.52	324,742	37.62	19.99	29.52	15.69	810,000	403,256	49.78	----------
24	1,538,058	1,741,320	344,850	17,800	48,174	65,974	19.13	278,876	22.42	19.80	18.13	16.02	1,561,058	163,840	10.50	11.92
25	15,000	20,814	4,856	291	--------	291	5.99	4,565	32.37	23.33	30.43	21.93	15,000	3,347	22.31	10.06
26	350,000	1,470,953	325,881	17,193	39,322	56,515	17.34	269,366	93.11	22.15	76.96	18.31	350,000	402,386	114.97	----------
27	75,000	44,410	16,537	753	3,976	4,729	28.60	11,808	22.05	37.24	15.74	26.59	15,000	37,188	247.92	----------
28	30,000	33,680	15,777	660	4,776	5,436	34.45	10,341	52.59	46.84	34.47	30.70	17,550	----------	----------	----------

29	17,600	19,002	3,073	184		184	5.99	2,889	17.46	16.17	16.41	15.20	8,500	1,036	12.19	5.20
30	125,000	324,615	153,623	6,060	52,620	58,680	38.20	94,943	122.90	47 32	75.96	29.25		125,048		
31	6,100	20,072	4,856	286	87	373	7.68	4,483	79.61	24.19	73.49	22.33	6,100	8,095	132.70	
32	4,200	4,200	3,171	190		190	5.99	2,981	75.50	75.50	70.98	70.98	4,200	1,026	24.43	51.07
33	25,000	96,245	19,541	1,060	1,860	2,920	14.94	16,621	78.16	20.30	66.48	17.27	25,000	13,342	53.37	24.79
34	175,000	273,803	44,642	2,463	3,578	6,041	13.53	38,601	25.51	16.31	22.06	14.10	175,000	60,400	34.51	
35	100,000	100,000	18,718	1,007	1,928	2,935	15.68	15,783	18.72	18.72	15.78	15.78	100,000	[1] 4,668	−4.67	23.39
36	13,000	21,225	6,702	356	766	1,122	16.74	5,580	51.55	31.58	42.92	26.29	13,000	9,525	73.27	
37	126,000	388,832	92,050	4,687	13,925	18,612	20.22	73,438	73.06	23.67	58.28	18.89	125,700	85,442	67.97	5.09
38	800,000	1,149,412	287,007	14,367	47,554	61,921	21.57	225,086	35.88	24.97	28.14	19.58	800,000	168,359	21.04	14.84
39	20,000	23,708	4,956	296	21	317	6.40	4,639	24.78	20.90	23.19	19.57	20,000	820	4.10	20.68
40	10,000	13,856	6,865	323	1,477	1,800	26.22	5,065	68.65	49.55	50.65	36.55	10,000	4,356	43.56	25.09
41	450,000	235,954	281,124	8,481	139,760	148,241	52.73	132,883	62.47	119.14	29.53	56.32	150,000	247,500	165.00	
42	250,000	740,326	129,905	7,014	13,000	20,014	15.41	109,891	51.96	17.55	43.96	14.84	250,000	170,427	68.17	
43	250,000	348,156	66,667	3,485	8,581	12,066	18.10	54,601	26.67	19.15	21.84	15.68	250,000	40,281	16.11	10.56
44	50,020	65,686	16,064	826	2,296	3,122	19.43	12,942	32.12	24.46	25.87	19.70	50,020	5,695	11.39	20.73
45	108,425	274,204	51,726	2,747	5,939	8,686	16.79	43,040	47.71	18.86	39.70	15.70	107,225	27,418	25.57	22.14
46	30,700	28,379	4,992	299		299	5.99	4,693	16.26	17.59	15.29	16.54	19,800	6,085	30.73	
47	10,000	13,293	3,964	237		237	5.98	3,727	39.64	29.82	37.27	28.04	10,000	2,482	24.82	14.82
48	7,000	9,186	8,456	340	2,778	3,118	36.87	5,338	120.80	92.05	76.26	58.11	7,000	[2] 1,414	20.20	100.60
49	58,200	136,268	22,331	1,248	1,507	2,755	12.34	19,576	38.37	16.39	33.64	14.37	58,200	16,182	27.80	10.57
50	250,000	242,000	82,245	3,691	20,021	23,712	28.83	58,533	32.90	33.99	23.41	24.19	250,000	28,668	11.47	21.43
51	70,000	71,287	19,383	960	3,381	4,341	22.40	15,042	27.69	27.19	21.49	21.10	70,000	19,055	27.22	.47
52	15,000	16,646	4,666	270	150	420	9.00	4,246	31.11	28.03	28.31	25.51	15,000	8,984	59.89	
53	300,000	438,280	77,533	4,195	7,607	11,802	15.22	65,731	25.84	17.69	21.91	15.00	300,000	60,729	20.24	5.60
54	83,300	177,741	92,466	3,534	33,550	37,084	40.11	55,382	111.00	52.02	66.48	31.16	82,300	72,339	87.90	23.10
55	6,767,600	7,616,113	1,965,680	96,109	357,255	453,364	23.06	1,512,316	29.05	25.81	22.35	19.86	6,273,900	1,502,016	23.94	5.11
56	35,000	41,711	6,711	390	196	586	8.73	6,125	19.17	16.09	17.50	14.68	35,000	1,589	4.54	14.63
57	88,000	180,268	31,763	1,741	2,744	4,485	14.12	27,278	36.09	17.62	31.00	15.13	87,000	26,723	30.72	5.37
58	15,000	41,826	17,465	757	4,835	5,592	32.02	11,873	116.43	41.76	79.15	28.39	15,000	37,188	247.93	
59	150,000	138,712	40,186	1,915	8,259	10,174	25.32	30,012	26.79	28.97	20.01	21.63	100,000	14,312	14.31	12.48
60	82,100	196,612	17,538	1,043	155	1,198	6.83	16,340	21.36	8.92	19.90	8.31	82,100	16,333	19.89	1.47
61	150,000	245,881	126,754	4,848	45,947	50,795	40.07	75,959	84.50	51.55	50.64	30.89	150,000	136,969	91.31	
62	50,000	50,000	9,791	547	672	1,219	12.45	8,572	19.53	19.58	17.14	17.14	50,000	9,065	18.13	1.45

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[1] Loss.

[2] 3 months.

[3] 7 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Is-20

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Eastern Tool & Mfg. Co	Bloomfield, N. J	11756584	32. The Hoch Hames Co., Inc	Freeland, Pa	15750294
2. The Pfleghare Hardware Specialty Co	New Haven, Conn	8751323	33. Skillman Hardware Mfg. Co	Trenton, N. J	10750245
3. The W. & E. T. Fitch Co	New Haven, Conn	8750598	34. E. T. Fraim Lock Co	Lancaster, Pa	13750515
4. Dry Kiln Door Carrier Co	Indianapolis, Ind	24750065	35. Clinton Lock Co	Clinton, Iowa	35751651
5. Adams Mfg. Co	Reading, Pa	12751463	36. Parks & Parks, Inc	Troy, N. Y	5750535
6. T. B. Williams Co	Chicago, Ill	26751643	37. Justrite Mfg. Co	Chicago, Ill	26753194
7. Keystone Forging Co	Northumberland, Pa	14750647	38. Richards-Wilcox Mfg. Co	Aurora, Ill	36752368
8. W. J. Dennis & Co	Chicago, Ill	26752728	39. Hunter Pressed Steel Co	Philadelphia, Pa	12750121
9. The Ornamental Iron Work Co	Akron, Ohio	23751410	40. Metallic Sash Operator Co., Corp	St. Louis, Mo	36751160
10. Newark Wire Cloth Co	Newark, N. J	11757188	41. The R. Neuman Hardware Co	Newark, N. J	11757777
11. C. A. Myers Co	Chicago, Ill	26750903	42. Keeler Brass Co	Grand Rapids, Mich	31750294
12. Ewens Hardware Co	Princeton, N. J	34750699	43. The Delph Spinning Co	Philadelphia, Pa	12751963
13. Hollands Mfg. Co	Erie, Pa	15750831	44. Upton Machine Co	St. Joseph, Mich	31750486
14. The Charles C. Lewis Co	Springfield, Mass	1752193	45. The Bridgeport Hardware Mfg. Co	Bridgeport, Conn	8750167
15. United Awl & Needle Co	West Midway, Mass	1751960	46. F. D. Kees Mfg. Co	Beatrice, Nebr	39750644
16. The Cassady Fairbanks Mfg. Co	Chicago, Ill	26751973	47. The Stalker Mfg. Co	New York, N. Y	2750983
17. The Safe Padlock & Hardware Co., Inc	Lancaster, Pa	13750468	48. Echo Mercantile Co	Echo, Oreg	46750339
18. The Faplin Mfg. Co	N. Britain, Conn	8751584	49. Colebrookdale Iron Co	Colebrookdale, Pa	12753015
19. West & Dodge Co	Boston, Mass	1751580	50. The Steffens Amberg Co	Newark, N. J	11757453
20. Wilcox Crittenden & Co., Inc	Middletown, Conn	8751693	51. The Marine Mfg. and Supply Co	New York, N. Y	2753421
21. Gus V. Brecht Butchers Supply Co	St. Louis, Mo	36751431	52. Burgess Supply Col, Inc	New York, N. Y	2751283
22. Quickedge Sharpener Co	Chicago, Ill	26752339	53. The White Mountain Freezer Co	Nashua, N. H	9750301
23. McKinney Mfg. Co	Pittsburgh, Pa	15752686	54. The McBee Binder Co	Athens, Ohio	22750550
24. Reading Hardware Co	Reading, Pa	12750771	55. Marshall-Wells Co	Duluth, Minn	34750367
25. Hagnaner & Knoebel Hdw. Co	Highland, Ill	29750206	56. Kline Hardware Co	Alleutown, Pa	12753140
26. H. L. Judd Co	New York, N. Y	2750402	57. C. H. Miller Hardware Co	Huntingdon, Pa	13750749
27. Beehler-U. S. Box Lock Co	St. Louis, Mo	36750625	58. Beehler-U. S. Box Lock Co	St. Louis, Mo	36752248
28. Stewart-Skinner Co	Worcester, Mass	1751278	59. Elgin Silver Plate Co	Elgin, Ill	26751944
29. Blue Grass Hardware Co., Inc	Wytheville, Va	18750147	60. Niagara Falls Metal Stamping Works	Niagara Falls, N. Y	7751641
30. Hudson Wire Co	Ossining, N. Y	5750347	61. The American Metal Hose Co	Waterbury, Conn	8750037
31. The Waterbury Iron Works, Inc	Waterbury, Conn	8751702	62. Bear Brothers Co	Chicago, Ill	26753533

IRON AND STEEL INDUSTRIES: HEATING AND VENTILATING APPARATUS, INCLUDING FURNACES

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE IS-21																
1	$12, 000	$12, 244	$5, 879	$284	$1, 130	$1, 414	24. 05	$4, 465	48. 99	48. 01	37. 20	36. 46	$3, 000	$495	16. 50	32. 49
2	150, 000	150, 000	23, 590	1, 326	1, 472	2, 798	11. 86	20, 792	15. 73	15. 73	13. 86	13. 86	150, 000	12, 487	8. 32	7. 41
3	50, 000	112, 315	30, 850	1, 502	5, 813	7, 315	23. 71	23, 535	61. 70	27. 46	47. 07	20. 95	50, 000	6, 087	12. 17	49. 53
4	10, 000	87, 562	19, 029	1, 017	2, 076	3, 093	16. 25	15, 936	190. 29	21. 73	159. 36	18. 20	10, 000	29. 603	296. 03	----------
5	35, 000	35. 000	6, 442	383	47	430	6. 67	6, 012	18. 41	18. 41	17. 18	17. 18	36, 000	3, 900	10. 83	7. 58
6	10, 000	13, 889	3, 889	233	--------	233	5. 99	3, 656	38. 89	28. 00	36. 56	26. 32	10, 000	3, 046	30. 46	8. 43
7	75, 000	83, 697	16, 846	921	1, 487	2, 408	14. 29	14, 438	22. 46	20. 13	19. 25	17. 25	50, 000	16, 097	32. 19	----------
8	50, 000	71, 978	13, 335	737	1, 074	1, 811	13. 58	11, 524	26. 67	18. 53	23. 05	16. 01	50, 000	9, 312	18. 62	8. 05
9	10, 000	218, 242	77, 765	3, 473	19, 870	23, 343	30. 02	54, 422	777. 65	35. 63	544. 22	24. 94	10, 000	35, 175	351. 75	425. 90
10	100, 000	719, 821	179, 183	8, 989	29, 362	38, 351	21. 40	140, 832	179. 18	24. 89	140. 83	19. 56	100, 000	175, 303	175. 30	3. 88
11	50, 000	47, 084	8, 942	461	1. 259	1, 720	19. 23	7. 222	17. 88	18. 99	14. 44	15. 34	50, 000	4, 444	8. 89	8. 99
12	20, 000	42, 893	14, 815	594	3, 690	4, 284	28. 91	10, 531	74. 08	34. 54	52. 66	24. 55	20, 000	2, 436	12. 18	61. 90
13	100, 000	592, 732	364. 426	12, 866	143, 076	155, 942	42. 79	208, 484	364. 43	61. 48	208. 48	35. 17	100, 000	187, 740	187. 74	176. 69
14	13, 600	13. 600	3, 957	237	2	239	6. 03	3, 718	29. 10	29. 10	27. 34	27. 34	13, 600	1, 121	8. 24	20. 86
15	10, 000	97, 885	20, 005	1, 083	1, 948	3, 031	15. 15	16, 974	200. 05	20. 44	169. 74	17. 34	10, 000	27, 883	278. 83	----------
16	300, 000	1, 263, 973	205, 596	11, 269	17, 767	29, 036	14. 12	176, 560	68. 53	16. 27	58. 85	13. 97	300, 000	105, 253	35. 08	33. 45
17	24, 000	61, 125	19, 998	954	4, 090	5, 044	25. 22	14, 954	83. 32	32. 71	62. 30	24. 46	24, 000	21, 465	89. 43	----------
18	20, 000	76, 264	15, 649	836	1, 712	2, 548	16. 28	13, 101	78. 25	20. 52	65. 51	17. 18	20, 000	9, 506	47. 53	30. 72
19	150, 000	757, 373	172, 598	8, 807	24, 840	33, 647	19. 49	138, 951	115. 06	22. 79	92. 63	18. 35	150, 000	108, 428	72. 29	42. 77
20	100, 000	830, 657	188, 097	9, 636	27, 315	36, 951	19. 64	151, 146	188. 10	22. 64	151. 15	18. 19	100, 000	93, 287	93. 29	94. 81
21	150, 000	351, 328	58, 476	3, 120	6, 465	9, 585	16. 39	48, 891	38. 98	16. 64	32. 59	13. 92	150, 000	68, 902	45. 93	----------
22	5, 000	10, 426	6, 040	283	1, 323	1, 606	26. 59	4, 434	120. 80	57. 93	88. 68	42. 52	5, 000	5, 426	108, 52	12. 28
23	85, 000	46, 414	21, 360	877	6, 739	7, 616	35. 66	13, 744	25. 13	46. 02	16. 17	29. 61	2, 500	15, 674	626. 96	----------
24	1, 000	4, 687	3, 132	167	--------	167	5. 33	2, 965	313. 20	66. 82	296. 50	63. 26	1, 000	3, 687	368. 70	----------
25	120, 600	354, 763	67, 626	3, 622	7, 260	10, 882	16. 09	56, 744	56. 07	19. 06	47. 05	15. 99	120, 600	76, 613	63. 53	----------
26	81, 100	65, 002	25, 204	1, 093	6, 982	8, 075	32. 04	17, 129	31. 08	38. 77	21. 12	26. 35	27, 600	12, 935	46. 87	----------
27	158, 580	207, 119	32, 348	1, 783	2, 619	4, 402	13. 60	27, 946	20. 39	15. 62	17. 62	13. 49	(2)	(2)	(2)	(2)
28	650, 000	683, 357	140, 269	4, 377	17, 318	21, 695	15. 47	118, 574	21. 58	20. 53	18. 24	17. 35	550, 000	209, 017	38. 00	----------
29	15, 000	18, 412	6, 375	325	952	1, 277	20. 03	5, 098	42. 50	34. 62	33. 99	27. 69	15, 000	9, 761	65. 07	----------
30	120, 000	885, 727	237, 297	11, 613	43, 740	55, 353	23. 33	181, 944	197. 75	26. 79	151. 62	20. 54	120, 000	225, 072	187. 56	10. 19

[2] Not in business in 1916.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: HEATING AND VENTILATING APPARATUS, INCLUDING FURNACES—Continued

Symbol	Capital stock, 1917	Invested capital 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is-21—Continued																
31	$49,000	$61,088	$13,151	$701	$1,467	$2,168	16.49	$10,983	26.84	21.53	22.41	17.92	$46,317	$23,199	50.09	------------
32	10,000	28,084	14,109	750	1,609	2,359	16.72	11,750	141.09	50.24	117.50	41.84	10,000	1,671	16.71	124.38
33	36,900	47,454	23,999	947	8,200	9,147	38.11	14,852	65.04	50.57	40.25	31.30	36,900	6,046	16.38	48.66
34	50,000	17,876	3,197	191	--------	191	5.97	3,006	6.39	17.88	6.01	16.82	15,000	5,302	35.35	------------
35	27,250	29,124	5,676	335	86	421	7.42	5,255	20.83	19.49	19.28	18.04	27,250	7,349	26.97	------------
36	50,000	147,902	26,106	1,447	1,979	3,426	13.12	22,680	52.21	17.65	45.36	15.33	50,000	21,061	42.12	10.09
37	135,000	114,115	20,882	1,136	1,938	3,074	14.72	17,808	15.47	18.30	13.19	15.61	135,000	25,424	18.83	------------
38	50,000	72,925	14,171	785	1,083	1,868	13.18	12,303	28.34	19.43	24.61	16.87	50,000	10,422	20.84	7.50
39	5,000	14,441	3,119	187	--------	187	6.00	2,932	62.38	21.60	58.64	20.31	5,000	1,756	35.12	27.26
40	499,600	1,762,744	278,004	16,097	9,706	25,803	9.28	252,201	55.65	15.77	50.48	14.31	1,422,000	159,792	11.24	44.41
41	240,000	333,614	104,539	4,729	25,720	30,449	29.13	74,090	43.56	34.43	30.87	24.40	240,000	33,901	14.13	29.43
42	1,000,000	2,266,897	403,644	21,668	42,505	64,173	15.90	339,471	40.36	17.81	33.94	14.98	1,000,000	[1] 179,600	−17.96	58.32
43	17,700	86,291	16,875	927	1,418	2,345	13.90	14,530	95.34	19.56	82.09	16.84	17,700	8,063	45.55	49.79
44	250,000	250,000	50,153	2,615	6,558	9,173	18.29	40,980	20.06	20.06	16.39	16.39	250,000	45,894	18.36	1.70
45	450,100	504,392	81,564	4,381	8,541	12,922	15.84	68,642	18.12	16.17	15.25	13.61	450,000	28,489	6.33	11.79
46	10,000	10,000	3,186	191	--------	191	5.99	2,995	31.86	31.86	29.95	29.95	10,000	[1] 2,561	−25.61	57.47
47	350,000	579,238	92,227	5,072	7,686	12,758	13.83	79,469	26.35	15.92	22.71	13.72	350,000	115,366	32.96	------------
48	15,000	105,865	20,142	1,104	1,736	2,840	14.09	17,302	134.28	19.03	115.35	16.34	15,000	35,816	238.77	------------
49	500,000	651,206	51,562	2,717	454	3,171	6.15	48,391	10.31	7.92	9.68	7.43	500,000	44,976	9.00	1.31
50	48,400	53,115	16,651	810	3,148	3,958	23.77	12,693	34.40	31.35	26.22	23.90	47,600	10,346	21.74	12.66
51	200,000	643,664	126,209	6,700	14,538	21,238	16.83	104,971	63.10	19.61	52.49	16.31	200,000	118,607	59.30	3.80
52	65,600	80,023	14,034	776	1,086	1,862	13.27	12,172	21.39	17.54	18.55	15.21	65,600	17,916	27.31	------------
53	30,000	40,544	15,245	684	3,844	4,528	29.70	10,717	50.82	37.58	35.72	26.43	30,000	19,778	65.93	------------
54	49,000	75,485	10,431	618	127	745	7.14	9,686	21.29	13.82	19.77	12.83	49,000	16,643	33.97	------------
55	75,000	214,751	66,711	3,145	14,284	17,429	26.13	49,282	88.95	31.06	65.71	22.95	75,000	70,981	94.64	------------
56	26,000	32,086	20,225	755	7,631	8,386	41.46	11,839	77.79	63.04	45.53	36.90	27,000	9,435	34.94	42.85
57	168,000	180,094	57,129	2,639	13,131	15,770	27.60	41,359	34.01	31.72	24.62	22.97	168,000	832	.50	33.51
58	36,500	192,303	59,890	2,825	12,793	15,618	26.08	44,272	164.08	31.14	121.29	23.02	36,500	57,927	158.70	5.38
59	8,950	67,507	24,949	1,104	6,539	7,643	30.63	17,306	278.76	37.01	193.36	25.64	8,950	9,420	105.25	173.51

60	184, 100	193, 216	43, 931	2, 253	6, 371	8, 624	19. 63	35, 307	23. 86	22. 74	19. 18	18. 27	164, 100	13, 542	8. 25	15. 61
61	150, 000	152, 693	30, 321	1, 634	3, 086	4, 720	15. 57	25, 601	20. 21	19. 86	17. 08	16. 77	50, 000	36, 938	73. 88	-------
62	100, 000	173, 978	47, 874	2, 351	8, 678	11, 029	23. 04	36, 845	47. 87	27. 52	36. 85	21. 18	100, 000	13, 692	13. 69	34. 18
63	15, 000	21, 288	10, 316	437	3, 032	3, 469	33. 63	6, 847	68. 77	48. 46	45. 65	32. 16	15, 000	4, 857	32. 38	36. 39
64	99, 700	176, 128	38, 840	2, 031	4, 980	7, 011	18. 05	31, 829	38. 96	22. 05	31. 92	18. 07	99, 700	36, 152	36. 26	2. 70
65	99, 500	391, 001	78, 909	4, 180	9, 227	13, 407	16. 99	65, 502	79. 31	20. 18	65. 83	16. 75	99, 500	123, 322	123. 94	-------
66	750, 000	774, 835	257, 035	11, 783	60, 641	72, 424	28. 18	184, 611	34. 27	33. 17	24. 61	23. 83	400, 000	163, 669	40. 92	-------
67	5, 000, 000	4, 585, 004	1, 511, 331	68, 204	374, 596	442, 800	29. 30	1, 068, 531	30. 23	32. 96	21. 37	23. 30	400, 000	655, 755	164. 19	-------
68	25, 000	56, 853	24, 463	1, 032	7, 255	8, 287	33. 88	16, 176	97. 85	43. 03	64. 70	28. 45	25, 000	24, 962	99. 85	-------
69	20, 000	20, 240	4, 732	277	110	387	8. 18	4, 345	23. 66	23. 38	21. 73	21. 47	10, 000	6, 420	64. 20	-------
70	80, 000	167, 410	56, 222	2, 591	13, 038	15, 629	27. 80	40, 593	70. 28	33. 56	50. 74	24. 23	80, 000	39, 940	49. 93	20. 35
71	230, 000	290, 573	43, 151	2, 421	2, 800	5, 221	12. 10	37, 930	18. 76	14. 85	16. 49	13. 05	-------	46, 245	-------	-------
72	100, 000	133, 252	15, 348	916	71	987	6. 43	14, 361	15. 35	11. 52	14. 36	10. 78	100, 000	19, 746	19. 75	-------
73	16, 500	26, 594	3, 389	203	-------	203	5. 99	3, 186	20. 54	12. 74	19. 31	11. 98	16, 500	1, 752	10. 62	9. 92
74	30, 000	75, 186	5, 701	342	-------	342	6. 00	5, 359	19. 00	7. 58	17. 86	7. 11	30, 000	10, 937	36. 46	-------
75	5, 000	44, 021	6, 137	367	11	378	6. 16	5, 759	122. 74	13. 94	115. 18	13. 08	5. 000	5, 509	110. 18	12. 56
76	150, 000	169, 553	31, 043	1, 651	3, 515	5, 166	16. 64	125, 877	20. 70	18. 31	17. 25	15. 26	150, 000	18, 510	12. 34	8. 36
77	15, 000	46, 384	11, 966	615	1, 700	2, 315	19. 35	9, 651	79. 77	25. 80	64. 34	20. 81	100, 000	4, 636	4. 63	75. 14
78	15, 000	8, 541	3, 489	209	-------	209	5. 99	3, 280	23. 26	40. 85	21. 87	38. 40	2, 000	4, 293	214. 65	-------
79	245, 900	292, 533	65, 476	3, 388	9, 006	12, 394	18. 93	53, 082	26. 63	22. 38	21. 59	18. 15	246, 625	43, 435	17. 61	9. 02
80	500, 000	716, 592	167, 275	8, 343	28, 192	36, 535	21. 84	130, 740	33. 46	23. 34	26. 15	18. 24	500, 000	131, 875	26. 38	7. 08
81	3, 000	13, 666	4, 630	265	198	463	10. 00	4, 167	154. 33	33. 88	138. 90	30. 49	3, 000	2, 774	92. 46	61. 87
82	10, 200	8, 961	4, 845	250	677	927	19. 13	3, 918	47. 50	54. 07	38. 41	43. 72	5, 100	5, 876	115. 22	-------
83	15, 000	79, 390	18, 421	945	2, 665	3, 610	19. 60	14, 811	122. 80	23. 20	98. 74	18. 66	15, 000	12, 610	84. 07	38. 73
84	25, 000	31, 000	4, 000	240	-------	240	6. 00	3, 760	16. 00	12. 90	15. 04	12. 13	25, 000	6, 000	24. 00	-------
85	43, 000	136, 560	11, 118	667	-------	667	6. 00	10, 451	25. 86	8. 14	24. 30	7. 65	43, 000	9, 798	22. 79	3. 07
86	36, 000	80, 640	18, 800	1, 011	1, 946	2, 957	15. 73	15, 843	52. 22	23. 31	44. 01	19. 65	36, 000	21, 431	59. 53	-------
87	250, 000	389, 235	56, 789	3, 182	3, 751	6, 933	12. 21	49, 856	22. 72	14. 59	19. 94	12. 81	238, 000	95, 873	40. 28	-------
88	100, 000	396, 385	56, 658	3, 323	3, 596	6, 919	12. 21	49, 739	56. 66	14. 29	49. 74	12. 55	100, 000	53, 049	53. 05	361

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[1] Loss.

CODE Is-21

Name of corporation	City and State	Serial number
1. Metal Products Co	Mason City, Iowa	35750308
2. The May-Fieberger Co	Akron, Ohio	23751230
3. The Griswold, Richmont, and Glock Co	Meriden, Conn	8750622
4. The Angmore Mfg. Co	Cleveland, Ohio	23750885
5. The Michigan Safety Furnace Pipe Co	Detroit, Mich	30750481
6. Perfection Grate and Supply Co	Springfield, Mass	1752559
7. The Ravenna Furnace and Heating Co	Ravenna, Ohio	23751058
8. Hood Furnace Supply Co	Corning, N. Y	7750560
9. Hess Warming and Ventilating Co	Chicago, Ill	26751889
10. Malleable Iron Range Co	Beaver Dam, Wis	32752074
11. A. W. Banister Co	Boston, Mass	1752754
12. Frank L. Patterson and Co	New York, N. Y	2752580
13. The Continental Iron Works	Brooklyn, N. Y	4750101
14. Wm. H. Curtin Mfg. Co	Brooklyn, N. Y	4750098
15. Cyclone Blow Pipe Co	Chicago, Ill	26752166
16. Walker and Pratt Mfg. Co	Boston, Mass	1752444
17. Wugner Machine Co	Buffalo, N. Y	7750933
18. American Furnace Co	St. Louis, Mo	36750364
19. Warren Webster and Co	Camden, N. J	10750248
20. Mueller Furnace Co	Milwaukee, Wis	32750497

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
21. American Gas Furnace Co	New York, N. Y	2751713	55. Ilg. Electric Ventilating Co	Chicago, Ill	26753378
22. Batterman Fruit Co	Chicago, Ill	26752701	56. Moncrief Frunace Co	Atlanta, Ga	59750991
23. The Genl. Combustion Co	Chicago, Ill	26751021	57. The Turner Brass Works	Sycamore, Ill	26753814
24. Baker Engineering Co	Mechanicsburg, Pa	13750520	58. The Bryant Heater & Mfg. Co	Cleveland, Ohio	23752543
25. The Wise Furnace Co	Akron, Ohio	23751201	59. National Blow Pipe & Mfg. Co., Ltd	New Orleans, La	62750797
26. L. J. Wing Mfg. Co	New York, N. Y	2751517	60. The Rudy Furnace Co	Dowagiac, Mich,	31750420
27. Fess Rotary Oil Burner, Inc	Boston, Mass	1750398	61. Detroit Heating & Lighting Co	Detroit, Mich	30750857
28. Holland Furnace Co	Holland, Mich	31750223	62. The National Dry Kiln Co	Indianapolis, Ind	24750579
29. Martin Grate Co	Chicago, Ill	26753929	63. Western Blower Co	Seattle, Wash	45750952
30. Weir Stove Co	Taunton, Mass	1751519	64. Quaker Manufatcuring Co	Chicago, Ill	26750985
31. Harry L. Husamann Refrig. & Supply Co	St. Louis, Mo	36751280	65. J. P. Devine Co	Buffalo, N. Y	7750818
32. Superior Machine and Boiler Works	Chicago, Ill	26750184	66. The Connersville Blower Co	Connersville, Ind	24750687
33. The G. and O. Mfg. Co	New Haven, Conn	8750619	67. Walworth Mfg. Co	Boston, Mass	1750793
34. Pittsburgh Engineering Co	Pittsburgh, Pa	15752629	68. Standard Furnace & Supply Co	Omaha, Nebr	39751267
35. Detroit Furnace and Stove Repair Co	Detroit, Mich	30750262	69. Johnson Acetylene Gas Co	Crawfordsville, Ind	25750438
36. The Sims Co	Erie, Pa	15752164	70. Green Foundry & Furnace Works	Des Moines, Iowa	35750572
37. Continental Heater Corporation	Dunkirk, N. Y	7750435	71. The Hess-Snyder Co	Massillon, Ohio	23750994
38. American Bell and Foundry Co	Northville, Mich	30750078	72. Haynes Langenberg Mfg. Co	St. Louis, Mo	36750205
39. Thos. E. Hays Heating Co	Milwaukee, Wis	32751301	73. Royal Ventilator Co	Philadelphia, Pa	12750102
40. Rund Mfg. Co	Pittsburgh, Pa	15750127	74. D & T Mfg. Co	St. Louis, Mo	36750370
41. Simplex Electric Heating Co	Boston, Mass	1750744	75. The American Warming & Ventilating Co	Toledo, Ohio	21750020
42. Wrought Iron Range Co	St. Louis, Mo	36750141	76. Kestner Evaporation Co	Philadelphia, Pa	12752192
43. Bicalky Fan Co	Buffalo, N. Y	7750793	77. The McAleer Mfg. Co	Chicago, Ill	26752912
44. The Waterman Waterbury Co	Minneapolis, Minn	34750864	78. Standard Fuel Appliance Co	Detroit, Mich	20501754
45. John Wood Mfg. Co	Montgomery County, Pa.	12752303	79. C. A. Dunham Co	Marshalltown, Iowa	36750981
46. Combustion Specialty Co	Kansas City, Mo	37751576	80. McClave Brooks Co	Scranton, Pa	14750703
47. Gurney Heater Mfg. Co	Boston, Mass	1752333	81. Buffalo Sheet Metal Works, Inc	Buffalo, N. Y	7750041
48. North Coast Dry-Kiln Co	Seattle, Wash	45750439	82. The Cooling Tower Co. Inc	New York, N. Y	2750060
49. Crosby Steam Gage and Valve Co	Boston, Mass	1753310	83. Oakland Foundry Co	Belleville, Ill	29750300
50. Keith Furnace Co	Des Moines, Iowa	37750709	84. The Honeywell Heating Specialties Co	Wabash, Ind	24750700
51. Niagara Radiator and Boiler Co	North Tonawanda, N. Y.	7750590	85. Monroe Foundry & Furnace Co	Monroe, Mich	30501289
52. American Shop Equipment Co	Chicago, Ill	56753815	86. The E. H. Bardes Ranges & Foundry Co	Cincinnati, Ohio	20750349
53. Chicago Furnace Supply Co	Chicago, Ill	26753625	87. Ideal Furnace Co	Detroit, Mich	30750414
54. Moline Heat	Moline, Ill	27750194	88. Union Radiator Co	Johnstown, Pa	15752125

IRON AND STEEL INDUSTRIES: HOISTING MACHINERY, CRANES, DERRICKS

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE IS–22																
1	$70,000	$90,003	$24,066	$1,189	$4,244	$5,433	22.58	$18,633	34.38	26.74	26.62	20.70	$65,000	$15,216	23.41	10.97
2	2,897,000	3,716,884	753,264	38,727	107,803	146,530	19.45	606,734	26.00	20.27	20.94	16.32	2,425,900	383,720	15.82	10.18
3	19,900	24,566	8,643	417	1,684	2,101	24.31	6,542	43.43	35.18	32.87	26.63	20,000	5,566	27.83	15.60
4	25,000	69,110	18,987	954	3,072	4,026	21.20	14,961	75.95	27.47	59.84	21.65	25,000	20,828	83.31	
5	600,000	744,270	320,436	13,085	102,349	115,434	36.02	205,002	53.41	43.05	34.17	27.54	600,000	201,236	33.54	19.87
6	62,000	88,205	33,290	1,470	8,789	10,259	30.82	23,031	53.69	37.74	37.15	26.11	55,000	16,724	30.41	23.28
7	10,150	14,910	4,799	267	340	607	12.65	4,192	47.28	32.19	41.30	28.12	9,950	[1] 3,563	—35.80	83.08
8	35,000	115,761	23,005	1,248	2,199	3,447	14.98	19,558	65.73	19.87	55.88	16.89	35,000	25,148	71.85	
9	15,000	18,666	4,162	249		249	5.98	3,913	27.75	22.30	26.09	20.96	15,000	2,950	19.67	8.08
10	376,419	672,982	266,572	11,279	78,584	89,863	33.71	176,709	70.82	39.61	46.94	26.26	376,419	171,348	45.52	25.30
11	126,200	126,200	31,112	1,565	5,052	6,617	21.27	24,495	24.65	24.65	19.41	19.41	126,200	5,791	4.59	20.06
12	5,000	26,165	8,818	432	1,610	2,042	23.16	6,776	176.36	33.70	135.52	25.90	5,000	11,411	228.22	
13	20,000	409,962	227,433	8,446	86,664	95,110	41.82	132,323	1,137.17	55.48	661.62	32.28	20,000	115,795	578.98	558.19
14	86,000	94,442	20,143	1,068	2,341	3,409	16.92	16,734	23.42	21.33	19.46	17.72	86,000	7,078	8.23	15.19
15	300,000	794,395	198,741	9,884	33,993	43,877	22.08	154,864	66.25	25.02	51.62	19.49	300,000	93,860	31.29	34.96
16	200,000	212,563	84,726	3,548	25,578	29,126	34.38	55,600	42.36	39.86	27.80	26.16	183,600	45,015	24.52	17.84
17	350,000	692,431	220,047	10,226	49,604	59,830	27.19	160,217	62.87	31.78	45.78	23.14	350,000	271,515	77.58	
18	72,000	128,315	47,134	2,091	12,283	14,374	30.50	32,760	65.46	36.73	45.50	25.53	59,500	45,731	76.86	
19	5,000	20,209	9,203	408	2,400	2,808	30.51	6,395	184.06	45.54	127.90	31.64	5,000	10,465	209.30	
20	100,000	490,034	150,114	7,062	32,404	39,466	26.29	110,648	150.11	30.63	110.65	22.58	100,000	145,824	145.82	4.29
21	55,000	95,871	41,961	1,732	13,072	14,804	35.28	27,157	76.29	43.77	49.38	28.33	55,000	31,915	58.03	18.26
22	2,534,900	2,869,368	544,302	28,231	73,784	102,015	18.74	442,287	21.47	18.97	17.45	15.41	2,534,900	12,402	.49	20.98
23	250,000	356,215	287,235	9,415	128,995	138,410	48.19	148,825	114.89	80.63	59.53	41.77	243,600	84,295	34.60	80.29
24	443,347	235,491	45,939	2,467	4,819	7,286	15.86	38,653	10.36	19.50	8.72	16.41	100,000	42,777	42.78	
25	100,000	369,030	368,634	11,540	176,297	187,837	50.95	180,797	368.63	99.89	180.80	48.99	100,000	121,648	121.65	246.98
26	60,000	298,046	119,991	5,061	35,627	40,688	33.91	79,303	199.98	40.24	132.17	26.61	60,000	64,520	107.53	92.45
27	25,000	54,276	23,148	981	6,775	7,756	33.50	15,392	92.59	42.65	61.56	28.36	25,000	23,783	95.12	
28	4,450	15,721	5,623	292	750	1,042	18.53	4,581	126.35	35.76	102.90	29.13	4,450	970	21.79	104.56
29	44,900	56,858	9,881	560	534	1,094	11.07	8,787	22.00	17.37	19.57	15.45	39,400	7,534	19.12	2.88
30	249,800	437,096	110,274	5,523	18,208	23,731	21.52	86,543	44.15	25.23	34.64	19.80	249,800	64,368	25.77	18.38
31	5,000	18,561	6,755	342	1,033	1,375	20.36	5,380	135.10	36.39	107.60	29.00	5,000	5,492	109.84	25.26
32	85,000	132,083	90,825	3,166	38,045	41,211	45.37	49,614	106.85	68.76	58.36	37.56	50,000	31,219	62.43	44.42
33	323,700	323,700	76,175	3,812	12,627	16,439	21.58	59,736	23.53	23.53	18.45	18.45	323,700	42,933	13.26	10.27

[1] Loss

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: HOISTING MACHINERY, CRANES, DERRICKS—Continued

Symbol	Capital stock, 1917 (1)	Invested capital 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax, to capital stock, 1917 (11)	Percent of net income, after deducting tax, to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE Is-22—Continued																
34	$10,000	$13,668	$3,218	$193		$193	5.99	$3,025	32.18	23.54	30.25	22.13	$10,000	$1,086	10.86	21.32
35	6,000	12,172	4,080	241	$57	298	7.30	3,782	68.00	33.51	63.03	31.06	6,000	6,172	102.86	
36	9,000	15,672	5,131	288	324	612	11.93	4,519	57.00	32.74	50.21	28.83	9,000	2,295	25.50	31.50
37	75,000	81,000	20,432	1,033	3,208	4,241	20.75	16,191	27.24	25.22	21.59	19.98	75,000	10,642	14.19	13.05
38	60,000	90,317	18,880	997	2,259	3,256	17.24	15,624	31.46	20.90	26.04	17.30	60,000	15,612	26.02	5.44

CODE Is-22

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Kuhlman Electric Co	Bay City, Mich	30750942	20. Weller Manufacturing Co	Chicago, Ill	26751993
2. Morgan Engineering Co	Alliance, Ohio	23751444	21. Detroit Hoist Mach. Co	Detroit, Mich	30750225
3. Seidel Manufacturing Co	St. Louis, Mo	36750916	22. The Wellman Seaver Morgan Co	Cleveland, Ohio	23752028
4. Economy Engineering Co	Chicago, Ill	26752567	23. Orton & Steinbrenner Co	Chicago, Ill	26750165
5. T. B. Wood's Sons Co	Chambersburg, Pa	13750373	24. The Albro Clem Elevator Co	Philadelphia, Pa	12750646
6. Lee C. Moore & Co., Inc	Pittsburgh, Pa	15751123	25. The Cleveland Cranes Engineering Co	Wickliffe, Ohio	23751894
7. Marsh Corporation	Baltimore, Md	16750509	26. Union Iron Works	Decatur, Ill	28750491
8. Bailey-Burruss Manufacturing Co	Atlanta, Ga	59750171	27. A. F. Mayer Mfg. Co	Morton, Ill	28750235
9. D. B. Maclary & Sons Co	Boston, Mass	1750406	28. The Home Elevator Co	Indianapolis, Ind	24750823
10. Shepard Electric Crane & Hoist Co	Montour Falls, N. Y	6750725	29. B. S. Constant Mfg. Co	Bloomington, Ill	28750819
11. F. S. Payne Co	Cambridge, Mass	1750325	30. The Warren Elevator Mfg. Co	Cincinnati, Ohio	20751292
12. H. H. Lee Co	New York, N. Y	2751835	31. Cincinnati Elevator Wks., Inc	Covington, Ky	52750096
13. Western Block Co	Lockport, N. Y	7751438	32. The Buckeye Jack Mfg. Co	Alliance, Ohio	23750383
14. American Steam Conveyor Corp	Chicago, Ill	26751409	33. Ottumwa Box Car Loader Co	Ottumwa, Iowa	35751152
15. Maese & Gottfried	San Francisco, Calif	47750904	34. Burwak Elevator Co	New York, N. Y	2751280
16. Brown Portable Conveying Mach	Chicago, Ill	26753479	35. Lucas & Smith Elevator Mfg. Co	Chattanooga, Tenn	55751175
17. Medart Patent Pulley Co	St. Louis, Mo	36751465	36. Pitt Engineering Co	Chicago, Ill	26751653
18. Alvey Manufacturing Co	St. Louis, Mo	36750305	37. The Chase Machine Co	Cleveland, Ohio	23750070
19. The Haughton Detroit Elevator Co	Detroit, Mich	30750385	38. The Standard Pully Co	Cincinnati, Ohio	20750526

IRON AND STEEL INDUSTRIES: SHIPBUILDING (IRON AND STEEL, INCLUDING CONCRETE AND STEEL)

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE IS-43																
1	$5,000	$21,440	$3,939	$236	--------	$236	5.99	$3,703	78.78	18.37	74.06	17.27	$5,000	$5,544	110.88	--------
2	160,000	114,525	18,059	996	$1,452	2,448	13.56	15,611	11.29	15.77	9.75	13.63	63,000	34,942	55.46	--------
3	25,000	55,126	30,534	1,159	11,215	12,374	40.53	18,160	122.14	55.39	72.64	32.94	25,000	33,480	133.92	--------
4	100,000	252,126	102,110	4,241	31,419	35,660	34.92	66,450	102.11	40.50	66.45	26.36	100,000	15,300	15.30	86.81
5	100,000	273,559	66,866	3,324	11,450	14,774	22.09	52,092	66.87	24.44	52.09	19.04	100,000	74,550	74.55	--------
6	35,000	55,199	21,876	945	6,122	7,067	32.30	14,809	62.50	39.63	42.31	26.83	35,000	[1] 5,136	−14.67	77.17
7	10,000	399,074	130,171	6,019	29,847	35,866	27.55	94,305	1,301.71	32.62	943.05	23.63	10,000	60,857	608.57	693.14
8	25,000	23,422	7,327	374	1,083	1,457	19.89	5,870	29.31	31.28	23.48	25.06	25,000	--------	--------	--------
9	4,000	9,000	5,583	270	1,080	1,350	24.18	4,233	139.58	62.03	105.83	47.03	4,000	--------	--------	--------
10	42,500	19,409	17,129	597	7,170	7,767	45.34	9,362	40.30	88.25	22.03	48.24	1,000	178	17.80	22.50
11	50,870	88,214	15,274	858	969	1,827	11.96	13,447	30.03	17.31	26.43	15.24	54,620	10,002	18.31	11.72
12	979,900	1,204,221	627,576	23,840	230,129	253,969	40.47	373,607	64.04	52.11	38.13	31.02	696,035	172,704	24.81	39.23
13	20,000	143,236	26,453	1,428	2,647	4,075	15.40	22,378	132.27	18.47	111.89	15.62	73,300	14,022	19.13	113.14
14	100,000	2,583,916	1,048,098	43,174	328,524	371,698	35.46	676,400	1,048.10	40.56	676.40	26.18	100,000	2,034	2.03	1,046.07
15	5,100	7,804	82,666	2,110	47,472	49,582	59.98	33,084	1,620.90	1,059.28	648.71	423.94	5,100	28,050	550.00	1,070.90
16	40,000	243,049	108,979	4,407	35,518	39,925	36.64	69,054	272.45	44.84	172.64	28.41	39,000	44,216	113.37	159.08
17	100,000	209,381	28,402	1,575	2,149	3,724	13.11	24,678	28.40	13.56	24.68	11.79	100,000	51,988	51.99	--------
18	10,400	91,541	46,028	1,777	16,398	18,175	39.49	27,853	442.58	50.28	267.82	30.43	10,400	27,627	265.64	176.94

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[1] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Is-43

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Gildersleeve Shipbuilding Co	Gildersleeve, Conn	8750669	10. Kyle & Purdy Inc	City Island, N. Y. C	5750384
2. The Lake Shipbuilding Co	Buffalo, N. Y	7751217	11. Tampa Steam Ways Co	Tampa, Fla	60750374
3. Townsend Iron Works	Brooklyn, N. Y	4750635	12. Manitowoc Ship Bldg. Co	Manitowoc, Wis	32752076
4. Smith and Watson Iron Works	Portland, Oreg	46750320	13. Hanlon Dry Dock & Ship Bldg. Co	Oakland, Calif	47750491
5. Theo. Smith & Sons Co	Jersey City, N. J	11757433	14. Moose & Scott Iron Works	San Francisco, Calif	47750492
6. Baker Yacht Basin Inc	Quincy Point, Mass	1750975	15. New Orleans Shipwright Co. Ltd	New Orleans, La	62751150
7. Colonna Marine Ry. Corp	Berkley, Norfolk, Va	17750095	16. The Johnson Iron Works Ltd	New Orleans, La	62750617
8. The Eastern Shipyard Co. of Greenport	Long Island, N. Y	4750342	17. New Jersey Dry Dock & Transportation Co	Elizabethport, N. J	11757081
9. Boston Shipbuilding Co	East Boston, Mass	1751381	18. Niagara Motor Boat Co	North Tonawanda, N. Y	7751292

IRON AND STEEL INDUSTRIES: RAILWAY EQUIPMENT, OTHER THAN CARS

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is-37																
1	$10, 000	$10, 000	$3, 612	$216		$216	5. 98	$3, 396	36, 12	36, 12	33. 96	33. 96	$10, 000	$810	8. 10	28. 02
2	25, 000	28, 053	14, 008	578	$4, 372	4, 950	35. 34	9, 058	56. 03	49. 93	36. 23	32. 29	25, 000	19, 686	78. 74	
3	37, 600	37, 500	15, 009	661	3, 962	4, 623	30. 80	10, 386	39. 92	40. 02	27. 62	27. 70	37, 500	13, 743	36. 65	3. 27
4	10, 000	10, 000	5, 932	279	1, 279	1, 558	26. 26	4, 374	59. 32	59. 32	43. 74	43. 74	10, 000	[1] 514	—5. 14	64. 46
5	20, 000	35, 342	8, 373	469	548	1, 017	12. 15	7, 356	41. 87	23. 69	36. 78	20. 81	10, 000	89, 061	890. 61	
6	4, 100	32, 245	13, 342	703	1, 615	2, 318	17. 37	11, 024	325. 41	41. 38	268. 88	34. 18	4, 000	10, 053	251. 33	74. 08
7	100, 000	85, 789	29, 751	1, 367	6, 956	8, 323	27. 98	21, 428	29. 75	34. 68	21. 43	24. 98	50, 000	36, 135	72. 72	
8	33, 674	33, 674	8, 188	442	822	1, 264	15. 44	6, 924	24. 32	24. 32	20. 56	20. 56	25, 000	5, 872	23. 49	. 83
9	1, 770	18, 042	7, 517	354	1, 610	1, 964	26. 13	5, 553	424. 69	41. 66	313. 73	30. 78	1, 770	24, 299	1, 372. 80	
10	75, 000	115, 808	23, 531	1, 270	2, 366	3, 636	15. 45	19, 895	31. 37	20. 32	26. 53	17. 18	75, 000	11, 873	15. 83	15. 54
11	100, 000	108, 317	21, 057	1, 155	1, 811	2, 966	14. 09	18, 091	21. 06	19. 44	18. 09	16. 70	100, 000	25, 514	25. 51	

12	340,600	399,491	62,144	3,347	6,347	9,694	15.60	52,450	18.25	15.56	15.40	13.13	340,600	25,781	7.57	10.68
13	150,000	219,972	62,900	3,033	12,327	15,360	24.42	47,540	41.93	28.59	31.69	21.61	150,000	11,276	7.52	34.41
14	17,000	35,800	5,539	331	8	339	6.12	5,200	32.58	15.47	30.59	14.53	17,000	9,619	56.58	----------
15	200,000	280,443	98,496	4,429	24,844	29,273	29.72	69,223	49.25	35.12	34.61	24.68	200,000	84,035	42.02	7.23
16	75,000	96,974	65,512	2,283	27,458	29,741	45.40	35,771	87.35	67.56	47.69	36.89	75,000	9,045	12.06	75.29
17	65,000	60,701	107,319	3,039	56,661	59,700	55.63	47,619	165.10	176.80	73.26	78.45	65,000	69,626	107.12	57.98
18	189,000	218,907	65,706	3,130	13,534	16,664	25.36	49,042	34.77	30.02	25.95	22.40	137,000	36,557	26.68	8.09
19	3,000	12,756	12,250	690	739	1,429	11.67	10,821	408.33	96.03	360.70	84.83	3,000	9,498	316.60	91.73

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[1] Loss.

CODE Is-37

Name of Corporation	City and State	Serial number	Name of Corporation	City and State	Serial number
1. The Nichols-Lintern Co	Cleveland, Ohio	23751947	11. Pittsburgh Brake Shoe Co	Pittsburgh, Pa	15750930
2. Littlefield Fry & McGough, Inc	Chicago, Ill	26751933	12. Indianapolis Switch & Frog Co	Springfield, Ohio	20751363
3. Ajax Rail Anchor Co	Chicago, Ill	26752754	13. Kalmazoo Railway Supply Co	Kalamazoo, Mich	31750302
4. Safety Car Devices Co	St. Louis, Mo	36751070	14. The National Surface Guard Co	Chicago, Ill	26752124
5. M. W. Supply Co	Philadelphia, Pa	12751178	15. The Cincinnati Frog & Switch Co	Cincinnati, Ohio	20750909
6. Knox Mfg. Co., Inc	Philadelphia, Pa	12750483	16. Joliet Railway Supply Co	Chicago, Ill	26752103
7. Oliver Electric & Mfg. Co	St. Louis, Mo	36750281	17. Wonham Bates & Goode, Inc	New York, N. Y	2753390
8. Shaw Coupling Co	Syracuse, N. Y	6750723	18. Kilby Frog & Switch Co	Birmingham, Ala	61751268
9. The Prime Mfg. Co	Milwaukee, Wis	32751228	19. Reliance Equipment Co., Inc	Mobile, Ala	61751229
10. Taylor Electric Truck Co	Troy, N. Y	5750709			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: TOOLS, MACHINE

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE IS-48B																
1	$9,900	$10,000	$5,331	$261	$978	$1,239	23.24	$4,092	53.84	53.31	41.33	40.92	$10,000	$9,039	90.39	----------
2	5,600	5,000	21,106	628	10,623	11,251	53.31	9,855	422.12	422.12	197.10	197.10	4,140	----------	----------	----------
3	4,000	138,378	61,844	2,516	19,901	22,417	36.25	39,427	1,546.10	44,69	985.68	28.49	4,000	92,377	2,309.43	----------
4	39,166	66,969	13,480	729	1,339	2,068	15.34	11,412	34.42	20.13	29.14	17.04	16,600	10,275	61.90	----------
5	263,500	566,201	106,237	5,547	13,786	19,333	18.20	86,904	40.32	18.76	32.98	15.35	262,500	85,642	32.63	7.69
6	500,000	876,986	179,994	9,240	26,003	35,243	19.58	144,751	36.00	20.52	28.95	16.51	500.000	236,535	47.31	----------
7	32,100	80,130	12,178	663	1,122	1,785	14.66	10,393	37.94	15.20	32.38	12.97	32.100	29,704	92.54	----------
8	10,000	10,000	5,412	312	204	516	9.53	4,896	54.12	54.12	48.96	48.96	10,000	6,496	64.96	----------
9	59,500	120,869	57,839	2,265	20,082	22,347	38.64	35,492	97,21	47.85	59.65	29.36	59,500	23,994	40.33	56.88
10	150,000	325,998	125,635	5,320	36,965	42,285	33.66	83,350	83,76	38,54	55,57	25,57	150,000	207,572	138.31	----------
11	100,000	82,380	13,602	754	1,029	1,783	13.11	11,819	13.60	16.51	11.82	14.35	50,000	3,088	6.18	7.42
12	6,000	35,923	14,655	648	3,840	4,488	30.62	10,167	244.25	40.79	169.45	28.30	6,000	3,120	52.00	192.25
13	5,000	146,447	56,497	2,446	15,724	18,170	32.16	38,327	1,129.94	38.58	766.54	26.17	5,000	17,066	341.32	788.62
14	22,425	74,360	21,504	1,042	4,132	5,174	24.06	16,330	95.89	28.92	72.82	21.96	19,200	8,437	43.94	51.95
15	12,000	101,651	20,880	1,103	2,489	3,592	17.20	17,288	174.00	20.54	144.07	17.01	12,000	103,013	858.44	----------
16	8,500	10,370	7,289	313	[4] 2,013	2,326	31.91	4,963	85.75	70.29	58.39	47.86	8,500	4,548	53.51	32.24
17	70,200	49,100	28,191	1,054	10,619	11,673	41.41	16,518	40.16	57.42	23.53	33.64	37,600	[3] 2,504	−6.66	46.82
18	10,000	18,769	16,819	582	7,117	7,699	45.78	9,120	168.19	89.61	91.20	48.59	10,000	8,784	87.84	80.35
19	25,000	127,509	43,673	2,002	10,303	12,305	28.18	31,368	174.69	34.25	125.47	24.60	25,000	91,328	365.31	----------
20	227,400	193,834	42,605	2,232	5,401	7,633	17.92	34,972	18.74	21.98	15.38	18.04	68,800	96,477	140.23	----------
21	40,725	123,517	22,246	1,196	2,306	3,502	15.74	18,744	54.62	18.01	46.03	15.17	40,725	46,363	113.84	----------
22	125,000	135,688	76,341	2,812	29,464	32,276	42.28	44,065	61.07	56.26	35.25	32.47	160,000	6,617	4.14	56.93
23	25,000	46,064	18,720	817	5,092	5,909	31.57	12,811	74.88	40.64	51.24	27.81	25,000	28,225	112.90	----------
24	134,000	644,811	268,480	11,211	81,621	92,832	34.58	175,648	200.36	41.64	131.08	27.24	33,500	51,892	154.90	45.46
25	15,000	41,398	11,359	576	1,758	2,334	20.55	9,025	75.73	27.44	60.17	21.80	15,000	3,526	23.51	52.22
26	10,000	42,599	21,859	868	7,381	8,249	37.74	13,610	218.59	51.31	136.10	31.95	10,000	40,976	409.76	----------
27	5,100	41,648	7,078	408	274	682	9.64	6,396	138.88	16.99	125.41	15.36	5,100	9,135	179.12	----------
28	60,875	65,301	25,220	1,095	6,957	8,052	31.93	17,168	41.43	38.62	28.20	26.29	26,100	20,930	80.19	----------
29	60,000	128,365	58,469	2,191	22,073	24,264	41.50	34,205	97.45	45.55	57.01	26.65	60,000	40,160	66.93	30.52
30	18,100	20,236	12,513	487	4,384	4,871	38.93	7,642	69.13	61.84	42.22	37.76	18,100	3,434	18.97	50.16
31	1,500	33,716	15,080	643	4,353	4,996	33.13	10,084	1,005.33	44,73	672.26	29,91	1,500	6,050	403.33	602.00

32	69,000	94,699	34,429	1,541	8,693	10,237	29.73	24,192	57.38	36.36	40.32	25.55	30,000	51,812	172.71
33	570,390	508,388	93,548	5,102	8,503	13,605	14.54	79,943	16.40	18.40	14.02	15.72	359,000	141,495	40.43
34	154,800	897,676	303,475	13,134	84,564	97,698	32.19	205,777	193.01	37.57	132.93	25.48	154,800	308.664	199.40
35	50,000	386,901	94,257	4,763	14,785	19,554	20.75	74,703	188.51	24.36	149.41	19.31	50,000	68,229	136.46	52.05
36	100,000	141,482	33,278	1,683	5,175	6,861	20.62	23,417	33.28	23.52	26.42	18.67	100,000	28,150	23.15	5.13
37	105,000	98,000	20,918	1,119	2,232	3,381	16.16	17,537	19.92	21.34	16.70	17.89	46,000	23,960	52.09
38	127,300	676,665	208,322	9,772	45,440	55,212	23.50	153,110	163.65	30.79	120.27	22,63	150,000	542,141	361.43
39	10,000	19,819	4,359	252		262	6.00	4,107	43.69	22.04	41.07	20.72	10,000	10,208	102.08
40	18,666	23,211	10,270	452	2,730	3,182	30.98	7,088	55.02	44.19	37.97	30.59	15,000	4,611	30.74	24,28
41	67,400	112,864	45,302	1,908	13,489	15,397	33.98	29,905	67.21	40.14	44.37	26.50	67,400	51,483	76.38
42	10,000	76,011	27,403	1,172	7,869	9,041	32.99	18,362	274.03	36.05	183.62	24.16	10,000	33,152	331.52
43	25,760	25,760	6,132	345	366	711	11.59	5,421	23.80	23.80	21.04	21.04	15,500	3,931	25.36
44	50,000	248,876	74,516	3,547	15,386	18,933	25.41	55,583	149.03	29.94	111.17	22,33	50,000	10,787	21.57	127.46
45	75,000	75,519	39,063	1,508	13,927	15,435	39.51	23,628	52.08	51.73	31.50	31.29	25,000	19,727	78.91
46	23,500	46,983	7,270	424	207	631	8.68	6,639	30.94	15.47	28.25	14.13	23,500	14,157	60.24
47	113,750	201,565	23,558	1,388	429	1,817	7.71	21,741	20.71	11.52	19.11	10.63	113,750	8,440	7.42	13.29
48	248,000	569,992	435,994	14,568	193,197	207,765	47.65	223,229	175.80	76.49	92.03	40.04	245,000	481,082	196.36
49	119,200	239,458	228,880	7,224	108,472	115,696	50.55	113,184	192.01	95.58	94.95	47.27	59,600	167,242	280.61
50	50,000	50,000	49,836	1,580	23,501	25,081	50.33	24,755	99.67	99.67	49.51	49.51	50,000	62,739	125.48
51	100,000	276,568	236,696	7,641	109,336	116,977	49.42	119,719	236.70	85.58	119.72	43.28	100,000	100,065	100.06	136.64
52	234,000	234,300	23,688	1,369	857	2,226	9.39	21,462	10.12	10.11	9.17	9.16	234,300	94,343	40.27
53	1,200,000	1,846,588	917,700	35,350	328,529	363,884	39.65	553,816	76.48	49.70	46.15	29.98	900,000	401,743	44.64	31.84
54	445,800	1,395,093	252,488	13,197	32,527	45,724	18.11	203,764	56.64	18.10	46.38	14.82	445,800	479,917	107.65
55	80,000	491,943	657,175	19,350	334,672	354,022	53.87	303,153	821.47	133.59	378.94	61.62	80,000	215,847	269.81	551.66
56	75,000	2,223,517	1,311,969	47,532	519,759	567,291	43.24	744,678	1,749.29	58.99	992.90	33.48	75,000	1,118,799	1,491.73	257.56
57	200,000	419,459	185,851	7,689	57,695	65,384	35.17	120,467	92.92	41.35	60.23	26.80	200,000	116,826	58.41	34.51
58	64,500	75,107	12,498	695	909	1,604	12.83	10,894	19.35	16.64	16.89	14.59	64,500	6,540	10.14	9.21
59	1,000,000	2,399,686	631,656	28,522	[1] 96,863	125,385	19.85	506,271	63.17	26.32	50.63	21.10	1,000,000	492,110	49.21	13.96
60	100,000	139,663	39,739	1,434	3,718	5,152	12.96	34,587	39.74	28.45	34.59	24.76	100,000	17,777	17.78	21.96
61	10,000	18,384	11,331	444	3,929	4,373	38.56	6,958	113.31	61.61	69.58	37.85	10,000	8,381	83.84	29.47
62	510,000	1,233,618	528,707	21,601	166,383	187,984	35.55	340,723	103.67	42.84	66.81	27.62	30,000	576,369	1,921.23
63	7,000	26,027	7,280	387	818	1,205	16.55	6,075	104.00	27.97	86.79	23.34	7,000	10,107	144.39
64	25,000	64,755	30,962	1,230	10,475	11,705	37.80	19,257	123.85	47.81	77.02	29.74	25,000	11,429	45.72	78.13
65	100,000	552.124	92,650	3,536	[2] 4,241	7,777	8.39	84,873	92.65	16.78	81.87	15.37	100,000	65,223	65.22	27.43
66	86,428	109,874	47,975	2,127	12,519	14,646	30.53	33,329	55.51	43.66	38.56	30.33	82,348	9,686	11.76	43.75
67	37,500	44,105	13,191	648	2,402	3,050	23.12	10,141	35.18	29.91	27.01	22.93	25,000	[3] 16,029	−64.12	99.32
68	34,000	30,365	7,006	390	487	877	12.52	6,129	20.61	23.07	18.03	20.18	13,200	21,165	160.34
69	298,700	1,087,462	847,625	28,209	377,479	405,688	47.86	441,937	283.77	77.91	147.95	40.62	298,700	630,480	211.07	72.70
70	75,000	75,000	14,784	690	3,270	3,960	26.77	10,824	19.71	19.71	14.43	14.43	10,000	34,543	345.43
71	18,300	49,363	11,029	600	1,012	1,612	14.62	9,417	60.27	22.34	51.46	19.08	18,300	14,027	76.65
72	30,000	30,000	6,696	374	457	831	12.41	5,865	22.32	22.32	19.55	19.55	30,000	1,280	4.27	18.05
73	300,000	1,423,059	402,889	19,350	80,374	99,724	24.75	303,165	134.30	28.31	101.05	21.30	300,000	602,651	200.88
74	3,000	15,549	3,512	212		212	5.99	3,330	118.07	22.78	111.00	21.42	3,000	12,526	417.53
75	25,000	146,577	35,835	1,833	5,273	7,106	19.83	28,729	143.34	24.45	114.92	19.60	25,000	41,400	165.60
76	200,000	201,718	102,781	3,906	37,669	41,575	40.45	61,206	61.39	50.95	30.60	30.34	124,400	135,413	108.85
77	5,000	229,684	36,233	1,962	3,520	5,482	15.13	30,751	721.66	15.77	615.02	13.39	50,000	86,556	173.11	551.55
78	25,000	30,542	13,310	574	3,738	4,312	32.40	8,998	53.24	43.58	35.99	29.46	25,000	5,542	22.17	31.07
79	1,161,300	3,052,250	1,192,205	49,881	360,850	410,731	31.45	731,474	102.66	39.06	67.29	25.60	1,143,000	2,278,152	199.31
80	30,000	72,596	14,649	796	1,369	2,165	14.78	12,484	48.83	20.18	41.61	17.20	30,000	21,895	72.98
81	50,000	107,772	47,878	1,961	15,194	17,155	35.83	30,723	95.76	44.42	61.45	28.51	50,000	47,610	95.22	.54
82	5,000	62,744	57,090	1,850	26,250	28,100	49.22	28,990	1,141.80	90.99	579.80	46.20	5,000	47,694	1,153.88

[1] 10 months.

[2] 6 months.

[3] Loss.

[4] 13 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: TOOLS, MACHINE—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE IS-48B—Con.																
83	$14,000	$58,211	$21,720	$969	$5,563	$6,532	30.07	$15,188	155.14	37.31	108.49	26.09	$14,000	$49,392	352.80	------------
84	8,900	62,801	20,095	965	4,015	4,980	24.78	15,115	225.79	32.00	169.83	24.07	8,900	42,172	473.84	------------
85	25,000	94,680	22,723	1,180	3,045	4,225	18.59	18,498	90.89	24.00	73.99	19.54	25,000	24,789	99.16	------------
86	8,950	17,194	24,904	771	12,046	12,817	51.47	12,087	278.26	144.84	135.05	70.30	8,500	4,548	53.51	224.75
87	50,000	66,065	24,639	1,095	6,387	7,482	30.37	17,157	49.28	37.30	34.31	25.97	50,000	13,019	26.01	23.24
88	50,000	247,685	72,940	3,431	15,752	19,183	26.30	53,757	145.88	29.45	107.51	21.70	50,000	63,161	126.32	19.56
89	9,000	17,874	3,367	201	------------	201	5.97	3,166	37.41	18.81	35.18	17.71	9,000	13,348	148.31	------------
90	38,000	55,583	10,864	596	921	1,517	13.97	9,347	28.59	19.55	24.60	16.82	18,000	11,104	61.69	------------
91	10,000	21,912	8,188	399	1,537	1,936	23.64	6,252	81.88	37.32	62.52	28.50	10,000	14,461	144.61	------------
92	20,000	35,212	27,622	949	11,788	12,737	46.11	14,885	138.11	78.38	74.43	42.24	20,000	26,124	130.62	7.49
93	5,300	7,169	3,110	186	------------	186	5.98	2,924	58.69	43.38	55.17	40.79	5,300	1,838	34.68	24.01
94	25,000	304,966	30,880	1,722	1,306	3,028	9.81	27,852	123.52	10.13	111.41	9.13	25,000	1,012	4.05	119.47
95	100,000	147,356	25,646	1,415	2,054	3,469	13.53	22,177	25.65	17.40	22.18	15.05	100,000	33,862	33.86	------------
96	25,000,000	17,300,773	5,092,418	241,245	1,070,517	311,762	25.76	3,780,656	20.37	29.43	15.13	21.85	25,000.000	5,780,022	23.12	------------
97	9,300	25,142	8,896	430	1,708	2,138	24.03	6,758	95.66	35.38	72.67	26.88	------------	3,529	------------	------------
98	160,000	239,324	80,266	3,628	19,798	23,426	29.19	56,840	50.17	33.54	35.53	23.75	160,000	82,238	51.40	------------
99	20,000	18,202	6,854	339	1,197	1,536	22.41	5,318	34.27	37.66	26.59	29.22	20,000	[3] 3,439	−17.20	51.47
100	47,250	112,081	32,836	1,580	6,499	8,079	24.60	24,757	69.49	29.30	52.40	22.09	46,250	80,874	174.86	------------
101	25,000	25,052	8,410	418	1,427	1,845	21.94	6,565	33.64	33.57	26.26	26.21	25,000	627	2.51	31.13
102	1,500,000	3,312,215	253,693	14,990	3,755	18,745	7.39	234,948	16.91	7.66	15.66	7.09	1,500,000	208,383	13.89	3.02
103	1,200,000	1,821,205	819,817	24,610	[2] 136,366	160,976	19.64	658,841	68.32	45.01	54.90	36.17	1,200,000	1,244,699	103.72	------------
104	87,100	136,690	17,784	1,067	------------	1,067	6.00	16,717	20.42	13.01	19.19	12.23	78,600	7,159	9.11	11.31
105	67,800	155,850	40,615	2,035	6,671	8,706	21.44	31,909	59.90	26.06	47.06	20.47	67,800	30,868	45.53	14.37
106	40,000	122,386	16,205	916	927	1,843	11.37	14,362	40.51	13.24	35.91	11.74	40,000	33,310	83.28	------------
107	10,000	79,403	29,268	1,264	8,192	9,456	32.31	19,812	292.68	36.86	198.12	24.95	10,000	64,023	640.23	------------
108	100,000	727,442	220,415	10,421	45,577	55,998	25.41	164,417	220.42	30.30	164.42	22.60	100,000	158,773	158.77	61.65

[2] 6 months.

[3] Loss.

CODE Is-48B

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The W. B. W. Tool Co.	Dayton, Ohio	20751416	45. The City Machine & Tool Co.	Toledo, Ohio	21750076
2. Arrow Tool & Reamer Co.	Detroit, Mich	30751077	46. Sellew Machine Tool Co.	Pawtucket, R. I.	8751643
3. The Champion Tool Co.	Cincinnati, Ohio	20750407	47. Dunn Mfg. Co.	Oxnard, Calif	48751308
4. The Peerless Automatic Machine Co.	Cleveland, Ohio	23752611	48. The Monarch Machine Tool Co.	Sidney, Ohio	21750270
5. Newton Machine Tool Works, Inc.	Philadelphia, Pa	12751384	49. Latrobe Tool Co.	Latrobe, Pa	15750226
6. Chambersburg Engineering Co.	Chambersburg, Pa	13750387	50. The Mueller Machine Tool Co.	Cincinnati, Ohio	20751187
7. The Grant Mfg. & Machine Co.	Bridgeport, Conn	8750636	51. The Bradford Machine Tool Co.	Cincinnati, Ohio	20750594
8. Holmes Mfg. Co.	Shelton, Conn	8750767	52. Pittsburgh Machine Tool Co.	Braddock, Pa	15751160
9. The Hartford Special Machinery Co.	Hartford, Conn	8750786	53. Hendey Machine Co.	Torrington, Conn	8750020
10. Eastern Machine Screw Corpn.	New Haven, Conn	8750536	54. Garvin Machine Co.	New York, N. Y	2752579
11. The Risdon Tool & Machine Co.	Naugatuck, Conn	8751386	55. The Cushman Chuck Co.	Hartford, Conn	8750331
12. Western Screw Products Co.	St. Louis, Mo	36751186	56. Reed & Prince Mfg. Co.	Worcester, Mass	1751951
13. Ohio Knife Co.	Cincinnati, Ohio	20751090	57. The Skinner Chuck Co.	New Britain, Conn	8751452
14. The Pressed Steel Co.	Wilkes-Barre, Pa	14750743	58. The Brown Clutch Co.	Sandusky, Ohio	21750030
15. Hanniful Mfg. Co.	Chicago, Ill	26753331	59. Landis Tool Co.	Waynesboro, Pa	13750147
16. Lynwood Mfg. Co.	Philadelphia, Pa	12750992	60. Geo. Oldham & Son Co.	Philadelphia, Pa	12750968
17. Milwaukee Shaper & Transmission Appliance Co.	Milwaukee, Wis	32752115	61. The Precision Gauge & Tool Co.	Bridgeport, Conn	8751253
			62. The Wallace Barnes Co.	Bristol, Conn	8751680
18. Vernon Machine Co.	Worcester, Mass	1752826	63. Savage Bros. Co.	Chicago, Ill	26752282
19. Racine Tool & Machine Co.	Racine, Wis	32752841	64. Geo. D. Ellis & Sons Co.	Philadelphia, Pa	12750859
20. The Fostoria Screw Co.	Fostoria, Ohio	21750122	65. The Oster Mfg. Co.	Cleveland, Ohio	23752622
21. J. G. Blount Co.	Everett, Mass	1750892	66. The Warren Tool & Forge Co.	Warren, Ohio	23750601
22. Universal Grinding Machine Co.	Fitchburg, Mass	1750842	67. The Wapakonesta Machine Co.	Wapakoneta, Ohio	21750878
23. The J. M. Moore Machine Co.	Boston, Mass	1751443	68. General Mfg. Co.	Detroit, Mich	30750904
24. Murchey Machine & Tool Co.	Detroit, Mich	30750980	69. Detroit Twist Drill Co.	Detroit, Mich	30751245
25. The Queen City Machine & Tool Co.	Cincinnati, Ohio	20750380	70. The Willard Machine Tool Co.	Covington, Ky	52750091
26. W. B. Knight Machine Co.	St. Louis, Mo	36750766	71. Taylor Shantz Co.	Rochester, N. Y	7750920
27. The North Dayton Machine & Tool Co.	Dayton, Ohio	20750471	72. The Jackson Mfg. Co.	Jackson, Ohio	22750491
28. Universal Machinery Co.	Milwaukee, Wis	32752289	73. The Taft-Peirce Mfg. Co.	Woonsocket. R. I	8751595
29. The Worden Tool Co.	Cleveland, Ohio	23750500	74. Sandow Tool Co.	New York, N. Y	2753 07
30. Peerless Machine Co.	Racine, Wis	32751152	75. The Gem City Machine Co.	Dayton, Ohio	20751365
31. Eisler Mfg. Co.	Rochester, N. Y	7751096	76. Giddings and Lewis Mfg. Co.	Fond du Lac, Wis	32752925
32. Greenfield Machine Co.	Greenfield, Mass	1751365	77. George Gorton Machine Co.	Racine, Wis	32753050
33. Van Norman Machine Tool Co.	Springfield, Mass	1751984	78. The Sheffield Tool and Machine Co.	Dayton, Ohio	20751506
34. American Tool & Machine Co.	Boston, Mass	1750930	79. Gisholt Machine Co.	Madison, Wis	33750125
35. Vaughn & Bushnell Mfg. Co.	Chicago, Ill	26750634	80. Modern Tool Die and Machine Co.	Columbus, Ohio	22750570
36. Rockford Machine Tool Co.	Rockford, Ill	26750757	81. The Bickett Machine and Mfg. Co.	Cincinnati, Ohio	20750969
37. Rockford Tool Co.	Rockford, Ill	26750801	82. Chard Lathe Co.	Newcastle, Ind	24750212
38. Illinois Tool Works	Chicago, Ill	26752380	83. Brown McLaren Mfg. Co.	Detroit, Mich	30750114
39. Modern Tool & Stamping Co.	Chicago, Ill	26752513	84. The Carroll Jamieson Machine Tool Co.	Batavia, Ohio	20751313
40. Cadillac Tool Co.	Detroit, Mich	30750185	85. The Anderson Knife and Bar Co.	Anderson, Ind	24751069
41. Rockford Lathe & Drill Co.	Rockford, Ill	26752158	86. Lynwood Mfg. Co.	Philadelphia, Pa	12750993
42. The Willard Machine & Tool Co.	Covington, Ky	52750090	87. The Carlton Machine Tool Co.	Cincinnati, Ohio	20751071
43. St. Louis Machine Tool Co.	St. Louis, Mo	36751388	88. The Ohio Machine Tool Co.	Kenton, Ohio	21751031
44. A. Nelson Mfg. Co.	Chicago, Ill	26752376	89. C. A. Weidner Co.	Rochester, N. Y	7751433

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Is-48B—Continued

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
90. Lennox Throatless Shear Co	Marshalltown, Iowa	35752497	100. The W. B. Marvin Mfg. Co	Urbana, Ohio	21750267
91. Peninsular Tool Salvage Co., Inc	Detroit, Mich	30751008	101. Modern Broom Machinery Co	Davenport, Iowa	35750799
92. Hurlbert Rogers Machine Co	S. Sudbury, Mass	9750987	102. Wm. Sellers & Co., Inc	Philadelphia, Pa	12750072
93. King Works	Detroit, Mich	30501072	103. The Toledo Machine and Tool Co	Toledo, Ohio	21750384
94. The Oswego Tool Co	Oswego, N. Y	6750621	104. Braunsdorf-Mueller Co	Elizabeth, N. J	11756204
95. Pittsburgh Crushed Steel Co	Pittsburgh, Pa	15750206	105. The Collis Co	Clinton, Iowa	35751980
96. The National Acme Co	Cleveland, Ohio	23751096	106. The Hoggson & Pettes Mfg. Co., Inc	New Haven, Conn	8750754
97. The Ohio Reamer Co	Cleveland, Ohio	23751230	107. John Hath & Co., Inc	Worcester, Mass	1754019
98. The Smith & Mille Co	Cincinnati, Ohio	20750157	108. The Geometric Tool Co	New Haven, Conn	8750655
99. Dauber-Dratsch Co	Oshkosh, Wis	32751278			

IRON AND STEEL INDUSTRIES: IRON AND STEEL PRODUCTS, NOT ELSEWHERE SPECIFIED

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is-55																
1	$100,000	$190,000	$35,201	$2,045	$3,355	$5,400	15.34	$29,801	35.20	18.53	29.80	15.68	$100,000	$48,712	48.71	
2	200,000	531,313	238,338	9,581	78,645	88,226	37.02	150,112	119.17	41.86	75.06	28.25	200,000	110,345	55.17	64.00
3	50,000	52,471	14,053	721	2,024	2,745	19.53	11,308	28.11	26.78	22.62	21.55	50,000	21,630	43.26	
4	14,000	16,149	10,525	420	3,511	3,931	37.35	6,594	75.18	65.17	47.10	40.83	14,000	2,833	20.24	54.94
5	400,000	513,081	214,003	8,866	66,232	75,098	35.09	138,905	53.50	41.71	34.73	27.07	400,000	87,166	21.79	31.71
6	100,000	147,072	32,400	1,665	4,636	6,301	19.45	26,099	32.40	22.03	26.10	17.74	100,000	24,350	24.35	8.05
7	75,000	139,088	45,969	2,107	10,847	12,954	28.18	33,015	61.29	33.05	44.02	23.74	75,000	23,694	31.59	29.70
8	300,000	1,169,461	379,924	17,239	92,596	109,835	28.91	270,089	126.64	32.49	90.03	23.09	300,000	88,024	29.34	97.30
9	517,500	796,599	302,313	13,027	85,196	98,223	32.49	204,090	58.42	37.95	39.44	25.62	500,000	223,363	44.67	13.75
10	5,000	8,392	3,669	217	49	266	7.25	3,403	73.38	43.72	68.06	40.55	5,000	6,592	131.84	
11	11,300	24,217	7,494	392	954	1,346	17.96	6,148	66.32	30.95	54.41	25.39	11,300	7,559	66.89	

12	20,000	20,270	4,020	241	--------	241	6.00	3,779	20.10	19.83	18.90	18.64	20,000	655	3.28	16.82
13	200,000	101,377	28,942	1,407	5,479	6,886	23.79	22,056	14.47	28.55	11.03	21.76	137,500	[1] 53,937	—39.23	53.70
14	30,000	205,253	43,518	2,293	5,292	7,585	17.43	35,933	145.06	21.20	119.78	17.51	30,000	76,585	255.28	--------
15	100,000	160,087	45,282	2,207	8,491	10,698	23.63	34,584	45.28	28.29	34.58	21.60	100,000	[1] 2,016	—2.02	47.30
16	30,000	51,660	15,274	758	2,631	3,389	22.19	11,885	50.91	29.51	39.62	23.01	13,500	7,840	58.07	--------
17	10,000	10,000	3,156	189	--------	189	5.99	2,967	31.56	31.56	29.67	29.67	10,000	1,861	18.61	12.95
18	7,000	9,162	11,888	573	2,323	2,896	24.36	8,992	169.83	129.75	128.46	98.14	7,000	2,162	30.89	138.94
19	100,000	128,867	81,855	2,896	27,540	30,436	37.18	51,419	81.86	63.52	51.42	39.90	100,000	34,820	34.82	47.04
20	2,776,100	2,800,056	627,750	32,159	91,710	123,869	19.73	503,881	22.61	22.42	18.15	17.99	1,000,000	234,602	23.46	--------
21	500,000	683,514	238,009	10,505	62,917	73,422	30.85	164,587	47.60	34.82	32.92	24.08	285,000	97,717	34.29	13.31
22	9,000	27,589	4,342	260	--------	260	5.99	4,082	48.24	15.74	45.36	14.80	9,000	--------	--------	--------
23	120,000	118,414	40,264	1,826	9,822	11,648	28.93	28,616	33.55	34.00	23.85	24.17	120,000	7,953	6.63	26.92
24	25,000	87,613	21,053	1,096	2,782	3,878	18.42	17,175	84.21	24.03	68.70	19.60	25,000	33,157	132.63	--------
25	50,000	127,257	19,824	1,092	1,620	2,712	13.68	17,112	39.65	15.58	34.22	13.45	50,000	34,873	69.75	--------
26	25,000	25,000	4,491	270	--------	270	6.01	4,221	17.96	17.96	16.88	16.88	--------	1,486	--------	--------
27	75,000	99,401	20,674	1,097	2,376	3,473	16.80	17,201	27.57	20.80	22.93	17.30	75,000	9,421	12.56	15.01
28	10,000	15,813	4,850	285	94	379	7.81	4,471	48.50	30.67	44.71	28.27	10,000	4,683	46.83	1.67
29	83,500	119,855	29,642	1,519	4,321	5,840	19.70	23,802	35.50	24.73	28.51	19.86	72,500	23,150	31.93	3.57
30	110,000	74,309	11,271	654	373	1,027	9.11	10,244	10.25	15.17	9.31	13.79	5,000	4,956	99.12	--------
31	14,000	14,333	3,009	180	--------	180	5.98	2,829	21.49	20.99	20.21	19.74	14,000	333	2.38	19.11
32	20,000	70,993	98,011	2,899	49,687	52,586	53.65	45,425	490.06	138.06	227.13	63.99	20,000	62,174	310.87	179.19
33	75,000	790,175	179,550	8,468	38,417	46,885	26.11	132,665	239.40	22.72	176.89	16.79	75,000	205,382	273.84	--------
34	25,000	50,888	52,070	1,652	24,535	26,187	50.29	25,883	208.28	102.32	103.53	50.86	25,000	22,950	91.80	116.48
35	35,000	30,514	21,102	761	8,417	9,178	43.49	11,924	60.29	69.15	34.07	39.08	20,000	369	1.85	58.44
36	41,000	50,494	14,130	718	2,081	2,799	19.81	11,331	34.46	27.98	27.64	22.44	41,130	2,622	6.37	28.09
37	8,902	5,902	3,224	193	--------	193	5.99	3,031	36.22	54.63	34.05	51.36	4,700	1,036	22.04	14.18
38	15,000	30,173	7,874	422	832	1,254	15.93	6 620	52.49	26.10	44.13	21.94	25,150	843	3.35	49.14
39	75,000	84,861	20,329	1,060	2,654	3,714	18.27	16,615	27.11	23.95	22.15	19.58	64,700	11,354	17.55	9.56
40	17,500	17,318	4,195	251	--------	251	5.98	3,944	23.97	24.23	22.54	22.77	5,646	930	16.47	7.50
41	24,800	118,087	61,405	2,397	21,455	23,852	38.84	37,553	247.60	52.00	151.42	31.78	24,800	51,589	208.02	39.58
42	82,776	82,776	14,054	785	968	1,753	12.47	12,301	16.98	16.98	14.86	14.86	15,000	67,776	451.84	--------
42	5,200	16,719	6,013	315	753	1,068	17.76	4,945	115.63	35.97	95.10	29.58	5,200	20,934	402.58	--------
44	10,000	12,215	4,858	264	455	719	14.80	4,139	48.58	39.77	41.39	33.88	10,000	4,545	45.45	3.13
45	65,000	97,620	37,417	1,613	10,526	12,139	32.44	25,278	57.56	38.33	38.89	25.89	65,000	14,073	21.65	35.91
46	57,400	54,150	13,420	707	1,633	2,340	17.44	11,080	23.38	24.78	19.30	20.46	44,000	19,619	44.59	--------
47	100,000	288,459	89,509	4,234	19,343	23,577	26.34	65,932	89.51	31.03	65.93	22.86	100,000	64,969	64.97	24.54
48	500,000	557,396	138,112	6,810	24,607	31,417	22.73	106,695	27.62	24.78	21.34	19.14	500,000	84,390	16.88	10.74
49	75,000	218,288	49,131	2,529	6,978	9,507	19.35	39,624	65.51	22.51	52.83	18.15	75,000	19,005	25.34	40.17
50	50,000	54,294	13,314	690	1,806	2,496	18.75	10,818	26.63	24.52	21.64	19.92	45,900	9,498	20.69	5.94
51	5,000	24,192	15,784	595	5,856	6,451	40.87	9,333	315.68	65.24	186.66	38.58	5,000	22,381	447.62	--------
52	100,000	509,718	94,265	5,037	10,304	15,341	16.27	78,924	94.27	18.49	78.92	15.48	100,000	74,821	74.82	19.45
53	31,500	22,871	4,841	290	4	294	6.07	4,547	15.37	21.16	14.43	19.87	13,100	20	.16	15.21
54	70,000	104,822	33,825	1,595	7,231	8,826	26.09	24,999	48.32	32.27	35.71	23.85	70,000	42,244	60.35	--------
55	20,000	42,421	11,579	498	1,597	2,195	18.96	9,384	57.90	27.30	46.92	22.12	--------	14,791	--------	--------
56	25,000	63,078	20,548	973	4,326	5,299	25.79	15,249	82.19	32.58	61.00	24.17	20,000	30,780	153.90	--------
57	625,000	684,948	202,611	9,619	42,286	51,905	25.62	150,706	32.42	29.58	24.11	22.00	500,000	164,124	32.82	--------
58	92,700	104,070	17,174	943	1,453	2,396	13.95	14,778	18.53	16.50	15.94	14.20	92,700	11,310	12.20	6.33
59	14,900	25,707	12,299	516	3,686	4,202	34.17	8,097	82.54	47.84	54.34	31.50	14,900	2,436	16.35	66.19
60	43,900	62,120	14,551	765	1,790	2,555	17.56	11,996	33.15	23.42	27.33	19.31	43,900	15,318	34.89	--------
61	124,500	124,500	22,897	1,241	2,198	3,439	15.02	19,458	18.39	18.39	15.63	15.63	124,500	4,012	3.22	15.17
62	40,000	40,000	7,459	423	404	827	11.09	6,632	18.65	18.65	16.58	16.58	40,000	5,953	14.88	3.77

[1] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: IRON AND STEEL PRODUCTS, NOT ELSEWHERE SPECIFIED—Continued

Symbol	Capital stock, 1917 (1)	Invested capital 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital 1917 (10)	Percent of net income, after deducting tax, to capital stock, 1917 (11)	Percent of net income, after deducting tax, to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE Is-55—Continued																
63	$10,000	$10,000	$3,343	$200	--------	$200	5.98	$3,143	33.43	33.43	31.43	31.43	$10,000	$929	9.29	24.1
64	10,000	23,289	11,582	489	$3,430	3,919	33.84	7,663	115.82	49.73	76.63	32.90	8,000	15,147	189.34	----------
65	60,000	53,922	22,960	962	6,927	7,889	34.36	15,071	38.27	42.58	25.12	27.95	31,000	6,015	19.40	18.87
66	25,000	54,795	29,501	1,397	6,204	7,601	25.77	21,900	118.00	53.84	87.60	39.97	25,000	22,013	88.05	29.95
67	25,000	50,119	12,276	651	1,425	2,076	16.91	10,200	49.10	24.49	40.80	20.35	30,000	27,563	91.88	----------
68	200,000	319,530	53,038	2,911	4,511	7,422	13.99	45,616	26.52	16.60	22.81	14.28	150,000	87,615	58.41	----------
69	120,000	137,035	22,705	1,234	2,130	3,364	14.81	19,341	18.92	16.56	16.12	14.11	120,000	25,361	21.13	----------
70	4,250	39,742	8,744	476	811	1,287	14.72	7,457	205.74	22.00	175.46	18.76	4,250	7,537	177.34	28.40
71	7,000	8,316	5,665	327	213	540	9.53	5,125	80.93	68.12	73.21	61.63	7,000	1,316	18.80	62.13
72	136,000	162,460	26,422	1,473	1,862	3,335	12.62	23,087	19.43	16.26	16.98	14.21	136,000	4,633	3.41	16.02
73	150,000	150,000	34,450	1,771	4,932	6,703	19.46	27,747	22.97	22.97	18.50	18.50	127,500	----------	----------	----------
74	9,000	40,172	14,284	665	3,188	3,853	26.96	10,431	158.71	35.55	115.90	25.96	20,000	23,466	117.33	41.38
75	667,200	766,803	161,732	8,252	24,183	32,435	20.05	129,297	24.24	21.09	19.38	16.86	500,000	175,959	35.19	----------
76	5,000	10,006	6,362	285	1,597	1,882	29.58	4,480	127.24	63.56	89.60	44.76	5,000	2,147	42.94	84.30
77	15,000	94,157	14,439	702	2,715	3,417	23.66	11,022	96.26	15.34	73.48	11.71	15,000	18,475	123.17	----------
78	26,700	90,084	31,429	1,438	7,447	8,885	28.27	22,544	117.71	4.89	84.43	25.02	26,700	14,762	55.29	62.40
79	125,000	162,966	36,458	1,863	5,397	7,260	19.91	29,198	29.17	22.37	23.36	17.92	125,000	12,495	10.00	19.17
80	3,000	4,437	5,606	255	1,351	1,606	28.65	4,000	186.87	126.35	133,33	90.15	3,000	1,466	48.87	138.00
81	21,800	37,536	14,130	636	3,524	4,160	29.44	9,970	64.82	37.64	45.73	26.56	19,500	13,309	68.21	----------
82	37,850	189,806	75,169	3,171	22,322	25,493	33.91	49,676	198.60	39.60	131.24	26.17	37,350	36,124	96.72	101.88
83	60,160	67,879	26,280	1,045	8,862	9,907	37.70	16,373	43.68	38.72	27.22	24.12	39,900	26,282	65.87	----------
84	46,000	124,815	30,608	1,573	4,389	5,962	19.48	24,646	66.54	24.51	53.58	19.73	46,000	27,204	59.14	7.40
85	14,500	19,360	5,413	299	427	726	13.41	4,687	37.33	27.96	32.32	24.21	14,500	1,953	13.47	23.86
85	14,500	19,360	5,413	299	427	726	13.41	4,687	37.33	27.96	32.32	24.21	14,500	1,953	13.47	23.86
87	274,100	447,193	257,087	9,425	99,989	109,414	42.56	147,673	93.79	57.49	53.88	33.02	255,200	132,996	52.11	41.68
88	349,625	390,300	136,666	6,032	36,125	42,157	30.84	94,509	39.09	35.01	27.03	24.21	100,000	98,386	98.39	----------
89	4,000	37,390	10,752	545	1,658	2,203	20.47	8,549	268.80	28.75	13.73	22.86	4,000	[1] 1,297	32.43	236.37
90	43,000	43,000	7,636	440	301	741	9.70	6,895	17.76	17.76	16.03	16.03	43,000	[2] 2,833	−6.59	24.35
91	30,000	55,485	19,906	900	4,906	5,806	29.17	14,100	66.35	35.88	47.00	25.41	30,000	19,937	66.46	----------
92	200,000	1,081,762	971,863	31,149	452,706	483,855	49.78	488,008	485.93	89.84	244.00	45.11	200,000	644,979	322.49	163.44
93	50,000	248,890	50,421	2,632	6,538	9,170	18.19	41,251	100.84	20.26	82.50	16.57	50,000	67,427	134.85	----------

94	30,000	59,818	12,856	686	1,417	2,103	16.36	10,753	42.85	21.49	35.84	17.98	30,000	1,321	4.40	38.45
95	40,000	153,953	47,284	2,247	9,824	12,071	25.53	35,213	118.21	30.71	88.03	22.87	40,000	40,888	102.22	15.99
96	12,000	40,739	9,282	499	958	1,457	15.70	7,825	77.35	22.78	65.21	19.21	12,000	5,016	41.80	35.55
97	100,000	747,904	193,823	9,146	41,373	50,519	26.06	143,304	193.82	25.92	143.30	19.16	100,000	71,787	71.79	122.03
98	12,600	21,149	6,156	328	678	1,006	16.34	5,150	48.86	29.25	40.87	24.47	12,600	3,732	29.62	19.24
99	400,000	732,271	123,559	6,716	11,616	18,323	14.84	105,227	30.89	16.88	26.31	14.37	400,000	73,912	18.48	12.41
100	25,000	78,167	31,336	1,350	8,821	10,171	32.46	21,165	125.34	40.09	84.66	27.08	25,000	23,256	93.02	32.32
101	13,200	15,867	5,275	293	387	680	12.89	4,595	39.96	33.25	34.81	28.96	13,200	2,818	21.35	18.61
102	135,750	143,347	29,042	1,550	3,208	4,758	16.38	24,284	21.39	20.26	17.89	16.94	126,750	19,694	15.54	5.85
103	150,000	142,211	32,650	1,663	4,926	6,589	20.18	26,061	21.77	22.96	17.37	18.33	30,000	72,806	242.68	
104	30,000	42,887	12,759	636	2,011	2,647	20.75	10,112	42.53	29.75	33.71	23.57	30,000	11,330	37.76	4.77
105	5,950	12,877	5,674	279	1,011	1,290	22.74	4,384	95.36	44.06	73.68	34.05	5,945	2,100	35.32	60.04
106	22,500	20,002	3,834	230		230	6.00	3,604	17.04	19.17	16.02	18.02	17,500	1,278	7.30	9.74
107	35,000	31,739	6,706	380	369	749	11.17	5,957	19.16	21.13	17.02	18.77	35,000	5,598	15.99	3.17
108	183,600	191,074	35,302	1,889	3,817	5,706	16.16	29,596	19.23	18.48	16.12	15.49	182,600	40,806	22.35	
109	10,000	74,501	21,715	1,093	3,469	4,562	21.01	17,153	217.15	29.15	171.53	23.02	10,000	7,045	70.45	146.70
110	50,000	52,470	9,113	526	340	866	9.50	8,247	18.23	17.37	16.48	15.72	50,000	13,074	26.14	
111	35,000	49,121	20,097	998	3,459	4,457	22.18	15,640	57.42	40.91	44.68	31.84	35,000	10,034	28.66	28.76
112	100,000	232,956	41,255	2,248	3,773	6,021	14.59	35,234	41.26	17.71	35.23	15.12	98,800	54,353	55.02	
113	10,000	55,680	18,587	882	3,870	4,752	25.57	13,835	185.87	33.38	138.35	24.85	25,000	10,496	41.98	143.89
114	22,500	30,357	6,585	374	340	714	10.84	5,871	29.27	21.69	26.09	19.34	22,500	6,147	27.32	1.95
115	25,000	35,939	7,640	434	396	830	10.86	6,810	30.56	21.26	27.24	18.95	13,500	3,212	23.79	6.77
116	85,000	106,891	56,528	2,136	20,917	23,053	40.78	33,475	66.50	52.88	39.38	31.32	85,000	8,608	10.13	66.37
117	40,500	41,869	7,283	423	233	656	9.01	6,627	17.98	17.39	16.36	15.83	25,000	13,148	52, 59	
118	300,000	334,408	105,204	4,922	23,166	28,088	26.70	77,116	35.07	31.46	25.71	23.06	300,000	108,796	36, 26	
119	12,000	49,481	9,771	539	777	1,316	13.47	8,455	81.43	19.74	70.46	17.09	12,000	14,123	117.69	
120	42,900	51,824	10,456	572	909	1,481	14.16	8,975	24.37	20.18	20.92	17.32	42,900	7,846	18.29	6.08
121	129,500	191,819	35,029	1,875	3,762	5,637	16.09	29,392	27.05	18.26	22.70	15.32	129,500	27,573	21.29	5.76
122	42,800	116,267	40,428	2,005	7,007	9,012	22.29	31,416	94.46	34.77	73.40	27.02	42,700	35,916	84.10	10.36
123	137,000	270,541	62,785	3,191	9,606	12,797	20.38	49,988	45.83	23.21	36.49	18.48	137,000	55,955	40.84	4.99
124	100,000	103,729	17,827	998	1,186	2,184	12.25	15,643	17.83	17.19	15.64	15.08	10,000	8,406	84.06	
125	50,000	62,055	18,448	892	3,575	4,467	24.21	13,981	36.90	29.73	27.96	22.53	50,000	14,852	29.70	7.20
126	125,000	110,486	49,138	1,991	15,947	17,938	136.51	31,200	39.31	44.47	24.96	28.24	105,300	46,382	44.05	
127	12,000	28,065	8,081	425	992	1,417	17.53	6,664	67.34	28.79	55.53	23.74	12,000	8,859	73.83	
128	35,000	41,654	6,540	389	52	441	6.74	6,099	18.69	15.70	17.43	14.64	33,332	17,103	51.31	
129	2,500	2,500	3,325	195	60	255	7.67	3,070	133.00	133.00	122.80	122.80	2,500	2,313	92.52	40.48
130	49,850	49,850	27,336	1,039	10,019	11,058	40.45	16,278	54.83	54.83	32.65	32.65	49,850	21,659	43.45	11.38
131	20,000	30,131	4,649	278		278	5.98	4,371	23.25	15.43	21.86	14.51	20,000	1,262	6.31	16.94
132	45,600	44,700	10,506	557	1,222	1,779	16.93	8,727	23.04	23.50	19.14	19.52	44,700	6,338	14.18	8.86
133	6,500	46,860	10,021	385	[3] 382	767	7.65	9,254	154.17	21.38	142.37	19.75	6,500	10,154	156.22	
134	1,750,000	2,387,495	1,221,754	45,975	455,503	501,478	41.04	720,276	69.81	51.17	41.16	30.17	1,750,000	672,212	38.41	31.40
135	20,000	28,642	6,821	375	563	938	13.75	5,883	34.11	23.81	29.42	20.54	20,000	10,065	50.33	
136	20,000	24,792	5,744	322	366	688	11.98	5,056	28.72	23.17	25.28	20.39	20,000	3,874	19.37	9.35
137	30,000	39,985	15,177	689	3,678	4,367	28.77	10,810	50.59	37.95	36.03	27.04	30,000	13,557	45.19	5.40
138	28,000	46,576	17,529	780	4,515	5,295	30.21	12,234	62.60	37.63	43.69	26.27	35,000	2,372	6.78	55.82
139	6,000	53,662	110,415	3,072	59,209	62,281	56.40	48,134	1,840.25	205.76	802.23	89.70		47,198		
140	25,000	78,067	37,793	1,505	12,707	14,212	37.60	23,581	151.17	48.41	94.32	30.21	25,000	73,465	293.86	
141	22,500	96,296	16,452	900	1,445	2,345	14.25	14,107	73.12	17.08	62.70	14.65	22,500	30,334	134.82	
142	40,000	56,097	18,735	876	4,133	5,009	26.74	13,726	46.84	33.40	34.41	24.47	40,000	10,419	26.05	20.79
143	15,000	15,000	3,244	194		194	5.98	3,050	21.63	21.63	20.33	20.33	15,000			
144	44,000	58,411	28,718	1,144	9,621	10,765	37.49	17,953	65.27	49.16	40.80	30.74	44,000	17,187	39.06	26.21

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[1] 7 months.
[2] Loss
[3] 6 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: IRON AND STEEL PRODUCTS, NOT ELSEWHERE SPECIFIED—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	()8	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is–55—Con.																
145	$30, 000	$46, 726	$13, 440	$665	$2, 340	$3, 005	22. 36	$10, 435	44. 80	28. 76	34. 78	22. 33	$30, 000	$8, 935	29. 78	15. 02
146	110, 000	110, 536	16, 952	947	1, 168	2, 115	12. 48	14, 837	15. 41	15. 34	13. 49	13. 42	125, 000	13. 188	10. 55	4. 86
147	81, 600	83, 943	12, 914	736	655	1, 391	10. 77	11, 523	15. 83	15. 38	14. 12	13. 73	81, 600.	2, 038	2. 50	13. 33
148	10, 000	23, 364	7, 871	384	1, 458	1, 842	23. 40	6, 029	78. 71	33. 69	60. 29	25. 80	10, 000	1, 386	13. 86	64. 85
149	43, 000	58, 274	12, 393	678	1, 086	1, 764	14. 23	10, 629	28. 82	21. 27	24. 72	18. 24	43, 000	10, 066	23. 41	5. 41
150	30, 000	346, 433	86, 945	4, 369	14, 101	18, 470	21. 24	68, 475	289. 81	25. 10	228. 25	19. 77	30, 000	79, 541	265. 14	24. 67
151	75, 000	152, 259	58, 264	2, 494	16, 696	19, 190	32. 94	39, 074	77. 69	38. 27	52. 10	25. 66	75, 000	35, 044	46. 73	30. 96
152	50, 000	53, 670	9, 023	524	287	811	8. 99	8, 212	18. 05	16. 81	16. 42	15. 30	50, 000	8, 049	16. 10	1. 95
153	125, 000	183, 662	58, 662	2, 956	9, 382	12, 338	21. 03	46, 324	46. 93	31. 94	37. 05	25. 22	100, 000	52, 052	52. 05	------------
154	15, 000	48, 280	8, 247	481	225	706	8. 56	7, 541	54. 97	17. 08	50. 27	15. 62	15, 000	7, 987	53. 25	1. 72
155	25, 000	31, 634	14, 765	611	4, 566	5, 177	35. 06	9, 588	59. 06	46. 67	38. 35	30. 31	25, 000	11, 857	47. 43	11. 63
156	100, 000	174, 732	52, 594	1, 492	[1] 2, 836	4, 328	8. 23	48, 266	52. 60	30. 10	48. 27	27. 62	100, 000	52, 594	52. 59	. 01
157	5, 000	19, 485	4, 136	248	--------	248	6. 00	3, 888	82. 72	21. 23	77. 76	19. 95	3, 700	3, 900	105. 41	------------
158	175, 000	143, 863	45, 907	2, 123	10, 516	12, 639	27. 53	33, 268	26. 23	31. 91	19. 01	23. 12	10, 000	[2] 641	−6. 41	32. 64
159	89, 350	93, 821	23, 319	1, 187	3, 527	4, 714	20. 22	18, 605	26. 10	24. 85	20. 82	19. 83	62, 400	33, 275	53. 33	------------
160	45, 000	753, 528	246, 673	11, 363	57, 279	68, 642	27. 83	178, 031	548. 16	32. 74	395. 61	23. 63	45, 000	129, 170	287. 04	261. 12
161	129, 955	120, 663	27, 576	1, 440	3, 561	501	18. 14	22, 575	21. 22	22. 85	17. 37	18. 71	100, 000	25, 119	25. 12	------------
162	3, 000	4, 072	5, 153	243	1, 096	1, 339	25. 98	3, 814	171. 77	126. 55	127. 13	93. 66	3, 000	702	23. 40	148. 37
163	37, 500	64, 033	16, 899	856	2, 618	3, 474	20. 56	13, 425	45. 06	26. 39	35. 80	20. 97	37, 500	19, 606	52. 28	------------
164	87, 600	99, 616	16, 501	882	1, 136	2, 018	12. 23	14, 483	18. 84	16. 56	16. 53	14. 54	87, 700	9, 988	11. 39	7. 45
165	10, 000	70, 675	11, 650	651	793	1, 444	12. 39	10, 206	11. 65	16. 48	102. 06	14. 44	10, 000	11, 487	114. 87	------------
166	20, 000	31, 712	12, 299	562	2, 919	3, 481	28. 30	8, 818	61. 50	38. 78	44. 09	27. 81	20, 000	7, 924	39. 62	21. 88
167	24, 900	49, 307	16, 478	780	3, 468	4, 248	25. 78	12, 230	66. 18	33. 42	49. 12	24. 80	24, 900	21, 014	84. 39	------------
168	430, 000	483, 932	145, 165	6, 111	[3] 22, 955	29, 066	20. 02	116, 099	33. 76	30. 00	27. 00	23. 99	330, 000	53, 580	16. 24	17. 52
169	20, 000	20, 000	5, 683	324	270	594	10. 45	5, 089	28. 42	28. 42	25. 45	25. 45	20, 000	6, 687	33. 44	------------
170	20, 000	45, 363	9, 559	521	863	1, 384	14. 48	8, 175	47. 80	21. 07	40. 88	18. 02	20, 000	6, 787	33. 94	13. 86
171	12, 000	16, 205	15, 915	546	6, 814	7, 360	46. 25	8, 555	132. 63	98. 21	71. 29	52. 79	12, 000	4, 503	37. 53	95. 10
172	16, 000	22, 258	3, 795	227	--------	227	5. 98	3, 568	23. 71	17. 07	22. 28	16. 03	16, 000	5, 186	32. 41	------------
173	25, 000	25, 000	4, 575	274	--------	274	5. 99	4, 301	18. 30	18. 30	17. 20	17. 20	12, 500	----------	----------	------------
174	4, 900	16, 867	3, 720	223	--------	223	5. 99	3, 497	75. 92	22. 05	71. 37	20. 73	4, 500	523	11. 62	64. 30
175	13, 350	45, 455	31, 957	1, 119	13, 301	14, 420	45. 12	17, 537	239. 38	70. 30	131. 36	38. 58	13, 350	21, 736	162. 82	76. 56
176	6, 500	7, 072	6, 622	287	1, 833	2, 120	32. 01	4, 502	101. 88	93. 59	69. 26	63. 66	5, 100	699	13. 71	88. 17

177	100,000	115,964	19,530	1,064	1,789	2,853	14.61	16,677	19.53	16.84	16.68	14.38	150,000	[2] 7,700	−5.13	24.66
178	15,000	34,446	9,782	534	874	1,408	14.39	8,374	65.21	28.40	55.83	24.31	15,000	9,657	64.38	.83
179	3,400	7,268	4,520	237	563	800	17.70	3,720	132.94	62.19	109.41	51.18	3,400	2,025	59.56	73.38
180	150,000	238,724	48,762	2,532	6,559	9,091	18.64	39,671	32.51	20.43	26.45	16.62	150,000	26,329	17.55	14.96
181	22,500	127,646	32,295	1,609	5,403	7,012	21.71	25,283	143.53	25.30	112.37	19.81	22,500	7,436	33.05	110.48
182	10,000	40,692	6,709	390	202	592	8.82	6,117	67.09	16.49	61.17	15.03	10,000	86	.86	66.23
183	100,000	270,686	69,342	3,475	11,420	14,895	21.48	54,447	69.34	25.62	54.45	20.11	100,000	106,140	106.14	----------
184	15,000	15,000	5,969	335	383	718	12.03	5,251	39.79	39.79	35.01	35.01	11,300	1,500	13.27	26.52
185	693,700	733,632	267,802	11,745	72,045	83,790	31.28	184,012	38.60	36.50	26.53	25.08	263,000	223,865	85.12	----------
186	180,000	272,675	52,066	2,796	5,463	8,259	15.86	43,807	28.93	19.09	24.34	16.07	180,000	116,377	64.60	----------
187	34,000	47,142	11,044	595	1,111	1,706	15.45	9,338	32.48	23.43	27.46	19.81	30,000	26,726	89.09	----------
188	200,000	334,663	55,733	3,056	4,799	7,855	14.09	47,878	27.87	16.65	23.94	14.31	200,000	47,098	23.55	4.32
189	3,000	3,000	3,167	190	--------	190	6.00	2,977	105.57	105.57	99.23	99.23	3,000	2,487	82.90	22.67
190	20,000	189,913	84,509	3,385	28,076	31,461	37.23	53,048	422.55	44.50	265.24	27.93	20,000	83,258	416.29	6.26
191	9,750	21,673	4,599	274	--------	274	5.96	4,325	47.17	21.22	44.36	19.96	10,750	11,000	102.33	----------
192	8,900	12,834	5,724	281	1,045	1,326	23.16	4,398	64.32	44.60	49.42	34.27	8,900	2,177	24.46	39.86
193	80,000	81,402	38,077	1,517	12,803	14,320	37.61	23,757	47.60	46.78	29.70	29.18	80,000	24,184	30.23	17.37
194	49,525	53,134	10,119	549	[4] 428	977	9.65	9,142	20.43	19.04	18.46	17.21	49,525	3,911	7.90	12.53
195	240,000	630,808	210,909	8,609	[5] 43,976	52,585	24.93	158,324	87.88	33.43	65.97	25.10	240,000	145,382	60.58	27.30
196	34,500	28,462	7,280	456	676	1,132	15.55	6,148	21.10	25.58	17.82	21.60	24,500	116	.47	20.63
197	4,100	8,349	4,885	246	780	1,026	21.00	3,859	119.15	58.81	94.12	46.22	4,100	[2] 391	−9.54	128.69
198	10,000	48,167	49,521	1,571	23,327	24,898	50.28	24,623	495.21	102.81	246.23	51.12	10,000	15,149	151.49	343.72
199	611,350	734,822	129,655	6,331	[5] 10,939	17,270	13.32	112,385	21.21	17.64	18.37	15.29	496,375	120,133	24.20	----------
200	25,000	35,543	13,520	613	3,295	3,908	28.91	9,612	54.08	38.04	38.45	27.04	25,000	15,872	63.49	----------
201	60,000	73,282	13,502	592	[5] 1,200	1,792	13.27	11,710	22.50	18.42	19.52	15.98	60,000	15,461	25.77	----------
202	288,800	691,129	166,439	8,248	28,971	37,219	22.36	129,220	57.63	24.08	44.74	18.70	288,800	131,765	45.62	12.01
203	20,000	141,195	57,467	2,476	16,169	18,645	32.44	38,822	287.34	40.70	194.11	27.50	25,000	64,841	259.36	27.98
204	18,000	103,265	34,368	1,777	4,744	6,521	18.97	27,847	190.93	33.28	154.70	26.96	18,000	20,412	113.40	77.53
205	60,000	466,916	97,272	4,968	13,622	18,590	19.11	78,682	162.12	20.83	131.14	16.85	60,000	224,768	374.61	----------
206	100,000	1,263,011	621,005	23,730	225,493	249,223	40.13	371,782	621.01	49.16	371.78	29.43	100,000	480,029	480.03	140.98
207	12,500	11,917	14,198	484	6,121	6,605	46.52	7,593	113.18	118.72	60.71	63.72	12,500	[2] 157	−1.25	114.43
208	10,000	68,725	29,577	1,224	9,174	10,398	35.16	19,179	295.77	43.04	191.79	27.91	10,000	19,425	194.25	101.52
209	35,000	37,178	5,884	352	4	356	6.05	5,528	16.81	15.83	15.79	14.87	35,000	13,847	39.56	----------
210	100,000	140,001	51,852	2,288	13,711	15,999	30.85	35,853	51.85	37.03	35.85	25.61	100,000	38,374	35.37	16.48
211	25,000	44,838	7,185	429	30	459	6.39	6,726	28.74	16.02	26.90	15.00	40,000	3,249	8.12	20.62
212	100,000	501,067	108,405	5,631	14,543	20,174	18.61	88,231	108.41	21.63	88.23	17.61	100,000	96,078	96.08	12.33
213	59,500	195,427	82,906	3,385	26,474	29,859	36.01	53,047	139.34	42.42	89.15	27.14	59,500	72.378	121.64	17.70
214	15,000	51,240	8,560	486	438	924	10.79	7,636	57.06	16.71	50.91	14.91	15,000	21,882	145.88	----------
215	47,000	67,350	16,903	888	2,260	3,148	18.62	13,755	35.96	25.09	29.22	20.42	47,000	16,003	34.05	1.91
216	29,800	29,800	6,104	354	269	623	10.21	5,481	20.48	20.48	18.39	18.39	29,800	1,864	6.26	14.22
217	300,000	399,353	275,919	11,944	76,845	88,789	32.18	187.130	91.97	69.04	62.38	46.86	300,000	210,778	70.26	21.71
218	50,000	68,602	5,584	335	--------	335	6.00	5,249	11.17	8.14	10.50	7.65	50,000	6,454	12.91	----------
219	100.000	1,157,052	42,556	2,545	--------	2,545	5.98	40,011	42.56	3.68	40.01	3.46	100,000	227,442	227.44	----------
220	10,000	15,241	9,538	540	523	1,063	11.14	8,475	95.38	62.58	84.75	55.61	10,000	14,259	142.59	----------
221	45,000	53,695	10,172	569	683	1,252	12.31	8,920	22.60	18.95	19.82	16.62	44,888	[2] 5,473	−12.19	34.79
222	10,000	10,000	9,794	371	3,596	3,967	40.50	5,827	97.94	97.94	58.27	58.27	10,000	12,091	120.91	----------
223	5,000	15,000	3,685	221	--------	221	6.00	3,464	73.70	24.57	69.28	23.09	5,000	3,055	61.10	12.60
224	75,000	75,000	14,098	776	1,162	1,938	13.75	18,160	18.80	18.80	16.21	16.21	75,000	[2] 4,619	−6.16	24.96
225	11,350	11,350	3,443	206	--------	206	5.98	3,237	30.33	30.33	28.52	28.52	11,350	6,043	53.24	----------
226	100,000	217,030	103,882	4,092	35,647	39,739	38.25	64,143	103.88	47.86	64.14	29.55	100,000	56,811	56.81	47.07
227	581,850	641,269	158,098	5,733	62,545	68,278	43.19	89,820	27.17	24.65	15.46	14.01	457,400	71,725	15.68	11.49

[1] 3 months.

[2] Loss.

[3] 9 months.

[4] 11 months.

[5] 10 months.

[6] 8 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

IRON AND STEEL INDUSTRIES: IRON AND STEEL PRODUCTS, NOT ELSEWHERE SPECIFIED—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Is-55																
228	$20,000	$27,835	$4,420	$265		$265	6.00	$4,155	22.10	15.88	20.78	14.92	$20,150	$7,901	39.21	
229	7,500	13,500	4,005	238	$27	265	6.62	3,740	53.40	29.66	49.87	27.70	7.500	589	7.85	45.55
230	85,000	151,366	37,687	2,085	2,754	4,839	12.84	32,848	44.34	24.90	38.64	21.70	85,000	25,669	30.20	14.14
231	25,000	45,564	7,288	423	242	665	9.12	6,623	29.15	16.00	26.49	14.54	4,267	12,744	298.66	
232	87,800	559,714	212,506	9,163	59,317	68,480	32.22	144,026	242.03	37.97	164.04	25.73	102,800	138,594	134.82	107.21
233	10.000	69,575	20,585	1,009	3.758	4,767	23.16	15,818	205.85	29.59	158.18	22.74	10,000	59,211	592.11	
234	6,500	20,772	6,025	332	487	819	13.59	5,206	92.69	29.01	80.09	25.06	6,100	6,340	103.93	
235	100,000	204,554	120,710	4,356	48,097	52,453	43.45	68,257	120.71	59.01	68.26	33.37	100,000	86,679	86.68	34.03
236	20,000	81,723	32,050	1,393	8,823	10,216	21.87	21,834	160.25	39.22	109.17	26.72	20,000	32,272	161.36	
237	15,000	95,696	22,106	1,133	3,215	4,348	19.67	17,758	147.37	23.10	118.39	18.56	15,000	13,932	92.88	54.49
238	50,000	350.000	45,772	2,611	2,254	4,865	10.63	40,907	91.54	13.08	81.81	11.69	50,000	66,193	132.39	
239	50,000	127,885	16,961	957	1,001	1,958	11.54	15,003	33.92	13.26	30.01	11.73	50,000	9,166	18.23	15.69
240	5,000	29,013	9,368	513	1,580	2,093	22.34	7,275	187.36	32.29	145.50	25.07	5,000	25,567	511.34	
241	10,000	32,971	4,145	248		248	59.83	3,897	41.45	12.57	38.97	11.82	10,000	2,836	28.36	13.09
242	30,000	53,788	6,988	411		411	5.88	6,577	23.29	12.99	21.92	12.23	30,000	8,913	29.71	
243	100,000	477,692	46,999	2,819	201	3,020	6.57	43,979	47.00	9.84	43.98	9.84	408,492	54,264	13.28	33.72
244	100,000	193,204	27,387	1,512	2,172	3,684	13.45	23,703	27.39	14.17	23.70	12.26	50,000	5,500	11.00	16.39
245	25,000	52,171	4,647	278		278	5.98	4,369	18.57	8.91	17.48	8.37	20,100	5,187	25.81	
246	13,600	55,989	9,112	518	474	992	10.89	8,120	67.00	16.27	59.71	14.50	13,600	7,686	56.51	10.49
247	51,600	165,777	34,133	1,651	3,169	4,820	14.12	29,313	66.15	20.59	56.81	17.68	51,600	33,635	65.06	1.09
248	11,900	59,618	6,803	408		408	6.00	6,395	57.17	11.41	53.74	10.73	11,900	7,710	64.79	
249	75,000	189,004	13,742	824		824	6.00	12,918	18.32	7.26	17.22	6.83	75,000	1,761	2.35	15.97
250	30,000	38,842	4,857	291		291	5.99	4,566	16.19	12.50	15.22	11.76	30,000	6,507	21.69	
251	100,000	1,272,427	178,662	9,777	17,227	27,004	15.11	151,658	178.66	14.04	151.66	11.90	100,000	211,834	211.83	
252	16,100	20,622	4,069	244		244	6.00	3,825	25.27	19.73	23.76	18.55	16,100	970	6.02	19.25
253	25,000	48,676	6,251	375		375	6.00	5,876	25.00	12.84	23.50	12.07	25,000	11,177	44.71	
254	50,000	799,068	66,699	39,081	1,552	40,633	60.92	26,066	133.40	8.35	52.13	3.26	50,000	37,639	75.28	58.12
255	70,000	240,546	28,236	1,651	717	2,368	8.38	25,868	40.34	11.74	36.95	10.75	70,000	42,071	60.10	

CODE Is-55

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Patterson Foundry Company	Liverpool, Ohio	23750908	45. D. R. Sperry & Co	P. O. Batavia, Ill N. Aurora, Ill	26750604
2. Smith & Davis Manufacturing Company	St. Louis, Mo	36751110	46. W. Toepfer & Sons Co	Milwaukee, Wis	32752278
3. Munkwitz, Edw. H. Co	Milwaukee, Wis	32752131	47. Jabez Burns & Sons	New York, N. Y	3750170
4. Hummel Mfg. Co	St. Louis, Mo	36751323	48. The National Roll & Foundry Co	Avonmore, Pa	15752103
5. Schutte & Koerting Co., Inc	Philadelphia, Pa	12751742	49. The Noble & Wood Machine Co	Hoosick Falls, N. Y	5750499
6. Barbour Stockwell Co	Cambridge, Mass	1752437	50. Vanderstucken Ewing Construction Co	Bethleham, Pa	14750870
7. Herman Pneumatic Mach. Co	Pittsburgh, Pa	15752669	51. The McCathron Boiler Works Co	Bridgeport, Conn	8751068
8. Clinton Iron & Steel Co	Pittsburgh, Pa	15752645	52. Arthur Colton Co	Detroit, Mich	30750201
9. The Wickes Boiler Co	Saginaw, Mich	30751056	53. Fairmount Foundry & Eng. Works	Woonsocket, R. I	8750560
10. Jos. Obenberger & Son Co	Milwaukee, Wis	32752154	54. Providence Steel & Iron Co	Providence, R. I	8751252
11. Southern Spindle Flyer Co	Charlotte, N. C	57750322	55. The New Haven Sand Blasts	New Haven, Conn	8751155
12. The Van Loozen Mfg. Co	Cleveland, Ohio	23751702	56. The Century Machine Co	Cincinnati, Ohio	20750014
13. Allen Machine Co	Erie, Pa	15751005	57. The Geir Pressed Steel Co	Lansing, Mich	30750332
14. Pierce Wrapping Machine Co	Chicago, Ill	26753552	58. J. B. Ehrsom & Sons Mfg. Co	Enterprise, Kansas	38750726
15. The Torl Iron & Car Co., Inc	Newburgh, N. Y	5750690	59. Zier Boiler & Sheet Iron Co	New Albany, Ind	25750489
16. Guyton & Cumfer Mfg. Co	Chicago, Ill	26753359	60. Nazareth Foundry & Machine Co	Nazareth, Pa	14750731
17. The Quadriga Mfg. Co	Chicago, Ill	26753315	61. The West Coast Iron Co	Cleveland, Ohio	23750299
18. The Grays Eng. Works	Galveston, Texas	44751373	62. Myrick Machine Co., Inc	Olean, N. Y	7750468
19. Ayars Machine Co	Salem, N. J	11750017	63. Rockwood Machinery Co	Rockwood, Tenn	55751264
20. The Steel Product Co	Cleveland, Ohio	23751407	64. Franklin Cor. Rod & Gagger Co	Franklin, Pa	15752306
21. Green Engineering Co	E. Chicago, Ind	26753101	65. Briggs Shaffer Co	Winston-Salem, N. C	57750760
22. Fowler Wolfe Sheet Metal Works	Paducah, Ky	50750070	66. Wagner Architectural Iron Works	Milwaukee, Wis	32752296
23. P. Pryibil Machine Co., Inc	New York, N. Y	53750905	67. Stafford Iron Works	Worcester, Mass	1751737
24. The Manufacturers Equipment Co	Dayton, Ohio	20750792	68. Hammond Iron Works	Warren, Pa	15750823
25. North Chelmsford Machine & Supply Co	N. Chelmsford, Mass	1750346	69. Chisholm-Boyd & White Co	Chicago, Ill	26751034
26. New England Road Machinery Co	Boston, Mass	1750938	70. West St. Louis Machine & Tool Co	St. Louis, Mo	36751190
27. Markem Machine Co	Boston, Mass	1751907	71. Rockett Foundry & Machine Works	Hattiesburg, Miss	61750874
28. The Atlantic Machine & Mfg. Co	Cleveland, Ohio	23750619	72. Ideal Wrapping Machine Co	Middletown, N. Y	5750358
29. Terrells Equipment Co	G. Rapids, Mich	31750478	73. Penn Iron & Steel Co	Creighton, Pa	15750232
30. Hesse Martin Iron Works	Portland, Oreg	46750306	74. Pittsburg Insulating Co	Pittsburgh, Pa	15750329
31. Columbia Iron & Welding Works	Astoria, Oreg	46750335	75. Greenlee Bros. & Co	Rockford, Ill	26752639
32. S. S. Hepworth Co	New York, N. Y	2751518	76. The United Eng. Co	Toledo, Ohio	21750408
33. Williams Foundry & Machine Co	Akron, Ohio	23750573	77. Page Boiler Co	Chicago, Ill	26751887
34. L. Katzenstein & Co., Inc	New York, N. Y	2751894	78. James Hill Mfg. Co	Providence, R. I	8750721
35. The Youmans Machine Co	Cleveland, Ohio	23752291	79. Valk & Murdock Co	Charleston, S. C	58750764
36. Lamb Machine Co	Hoquiam, Wash	45751115	80. Ryniker United Steel Metal Works	Billings, Mont	41751005
37. Great Western Cutting & Welding Co	Frisco, Calif	47751852	81. Ramson Mfg. Co	Oshkosh, Wis	32751090
38. Weatherly Steel Co	Weatherly, Pa	14750875	82. The J. D. Fate Co	Plymouth, Ohio	23752377
39. Sheridan Iron Works, Inc	Sheridan, Wyo	42751566	83. Lyons Machine & Mfg. Co	Muskegon, Mich	31750320
40. Bousman Mfg. Co	Grand Rapids, Mich	31750743	84. Alex Dussel Iron Works	New Orleans, La	62750070
41. Flexible Steel Lacing Co	Chicago, Ill	26750685	85. Atlas Press Co	Kalamazoo, Mich	31750004
42. Charles Stecher Co	Chicago, Ill	26751748	86. The Philadelphia Pipe Binding Co	Philadelphia, Pa	12752563
43. The Ideal Machine & Tool Co	Cincinnati, Ohio	20750027	87. Lyon Metallic Mfg. Co	Aurora, Ill	26752369
44. Barrett Machine Co	Pittsburgh, Pa	15750362			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Is-55

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
88. The Bonnot Co	Canton, Ohio	23752391	172. B. Ott & Sons Co	La Crosse, Wis	33750171
89. The U. S. Air Compression Co	Cleveland, Ohio	23751164	173. Chatfield Machine & Foundry Co	Escanaba, Mich	31750851
90. Gillespie Mfg. Corp	Jersey City, N. J	11756721	174. Riverside Machine Co	Jackson, Mich	20500206
91. H. J. Ruesch Machine Co	Newark, N. J	11757333	175. Thompson Grinder Co	Springfield, Ohio	20751122
92. Columbia Tool Steel Co	Chicago Heights, Ill	26752578	176. The Hammond Mfg. Co	Cleveland, Ohio	23752432
93. The Nat'l Iron & Wire Co	Cleveland, Ohio	23751043	177. General Machinery & Supply Co	San Francisco, Calif	47751096
94. Elgin Mfg. Co	Elgin, Ill	26752448	178. Evangeline Iron Works Ltd	Evangeline, La	62751450
95. Frank L. Wells Co	Kenosha, Wis	32751494	179. Virginia Elec. Welding Co	Norfolk, Va	17750485
96. The Mutual Machine Co	Hartford, Conn	8751006	180. Hard Mfg. Co	Buffalo, N. Y	7750150
97. E. J. Manville Machine Co	Waterbury, Conn	8751037	181. Union Machine Co	San Francisco, Calif	47752191
98. The Industrial Machine Co	Cleveland, Ohio	23751134	182. Ashland Foundry & Machine Works	Ashland, Ky	53750017
99. The Kilby Mfg. Co	Cleveland, Ohio	23751754	183. Gardner Machine Co	Beloit, Wisc	26754164
100. Mereen Johnson Machine Co	Minneapolis, Minn	34750951	184. Gary-Foundry & Machine Co	East Gary, Indiana	24750916
101. E. A. Pynch Co	Minneapolis, Minn	34750678	185. Pittsburgh-Des Moines Co	Pittsburgh, Pa	15752626
102. Chas. H. Stehling Co	Milwaukee, Wis	32751482	186. Bryant Chucking Grinder Co	Springfield, Vermont	9750671
103. Nat'l Engineering Co	Saginaw, Mich	30750549	187. American Steel Wool Mfg. Co	New York City, N. Y	2751422
104. Merchants Foundry & Machine Co	Fall River, Mass	1751041	188. Lincoln Iron Works	Rutland, Vermont	9750299
105. Pipe Machinery Co	Cleveland, Ohio	23751843	189. American Metallic Packing Co	Lexington, Ky	53750284
106. The Blackburn Smith Corporation	Poultney, N. Y	3750656	190. Swenson Evaporator Co	Chicago, Ill	26752627
107. Indiana Machine Shop Co	Oroville, Calif	47750813	191. The Winfield Electric Welding Machine Co	Warren, Ohio	23752409
108. Nat'l Binding Machine Co	New York, N. Y	2751593	192. The Sharon Machine Co	Sharon, Pa	15751848
109. A. Simon Iron Co	Lansing, Mich	30751023	193. The Wellman Co	Medford, Mass	1752327
110. The Ludington Cigarette Mach. Co	Waterbury, Conn	8750960	194. Union Machine Co	Bartlesville, Okla	64750998
111. Western Foundry & Sash Weight Co	St. Louis, Mo	36751356	195. Logan Iron & Steel Co	Philadelphia, Pa	12751293
112. American Bed Co	St. Louis, Mo	36750358	196. Uniflow Boiler Co., Inc	Philadelphia, Pa	12752530
113. Colborne Mfg. Co	Chicago, Ill	26753744	197. The Melvin Lloyd Co	Youngstown, Ohio	23750505
114. Liberty Brazing & Welding Co	Pittsburgh, Pa	15750866	198. Crescent City Machine & Mfg. Works	New Orleans, La	62751188
115. Eagle Iron Works Co	Minneapolis, Minn	34750981	199. Russell Grader Mfg. Co	Minneapolis, Minn	34750829
116. The Wicaco Screw & Mach. Works, Inc	Philadelphia, Pa	12751403	200. U. S. Bidle Co	Cleveland, Ohio	23751075
117. The Abner Mfg. Co	Wapokoneta Ohio	21750017	201. The Cleveland Knife & Forge Co	Cleveland, Ohio	23752589
118. Royersford Foundry & Machine Co	Royersford, Pa	12750701	202. Standard Engineering Co	Ellwood City, Pa	15751722
119. Lambert & Todd Machine Co	Camden, N. J	10750327	203. The Bridgewater Machine Co	Akron, Ohio	23752216
120. Union Iron Works	McAllister, Okla	64750999	204. The Crossley Machine Co	Trenton, N. J	10750236
121. Boomer & Boschert Press Co	Syracuse, N. Y	6750130	205. Fitchburg Machine Works	Fitchburg, Mass	1752484
122. The Ohio Machine & Boiler Co	Cleveland, Ohio	23750973	206. The Hendrie & Bolthoff Mfg. & Supply Co	Denver, Colo	42751261
123. The Nat'l Drawn Steel Co	E. Liverpool, Ohio	23750655	207. Pacific Machine Shop & Mfg. Co	Seattle, Wash	45751764
124. Heron Iron Bedstead Co	Chattanooga, Tenn	55750213	208. The Leavitt Machine Co	Orange, Mass	1753802
125. Pittsburg Trolley & Forge Co	Pittsburgh, Pa	15750033	209. Babcock Davis Corporation	Cambridge, Mass	1753923
126. Pittsburg Reinforced Brazing & Mach. Co	Pittsburgh, Pa	15752548	210. Chas. E. Francis Co	Rushville, Ind	24751870
127. Diamond Mach. & Mfg. Co	Seattle, Wash	45751961	211. The Claflin Engineering Co	Lancaster, Ohio	22750173
128. N. S. Bottlers Mach. Co	Chicago, Ill	26751955	212. Crescent Bed Co. Ltd	New Orleans, La	62750412
129. Reichel & Drew	Chicago, Ill	26752731	213. Mfg. Equipment & Engineering Co	Boston, Mass	1750616
130. The Standard Engineering Works	Pawtucket, R. I	8751508	214. James Saunders Co	Dayton, Ohio	20750502

131. J. A. Lang & Sons Co	Boston, Mass	1752781	215. C. G. Bretting Mfg. Co	Ashland, Wis	33750567
132. Carpenter Tew Gear Co	Brooklyn, N. Y	4750316	216. The Woods Engineering Co	Alliance, Ohio	23751344
133. Wilkinson Mach. Co	Savannah, Ga	59750888	217. George B. Lessig Co., Inc	Pottstown, Pa	12750251
134. Atlantic Steel Co	Atlanta, Ga	59750092	218. James Millard & Son Co	Kingston, N. Y	5750420
135. J. P. Metcalf Machinery Co	Boston, Mass	1752483	219. Stokes & Smith Co	Philadelphia, Pa	12752322
136. Hubard Foundry & Mach. Works	Lynchburg, Va	18750310	220. The Vulcan Brazing & Machine Co	Philadelphia, Pa	12751074
137. Nash Christian Foundry Supply Co	Birmingham, Ala	61750405	221. Cedar Rapids Foundry & Machine Co	Cedar Rapids, Ia	35751793
138. American Insulating Mach. Co	Phila., Pa	12750662	222. McEvoy Wireless Well Strainer Co	Los Angeles, Cal	48750425
139. Philadelphia Chaplet Mfg. Co	Phila., Pa	12750878	223. Auto Repair & Machine Co	Toledo, O	21750547
140. Cummings Machine Works	Boston, Mass	1751486	224. Fitzsimmons Steel Products Co	Milwaukee, Wis	32751551
141. Hoosier Motor Co	Goshen, Ind	24750567	225. Jeannette Machine Co	Jeannette, Pa	15751650
142. Roberts Iron Works Co	Cambridgeport, Mass	1750002	226. R. S. Newbold & Son	Norristown, Pa	12753084
143. Colfax Mfg. Co	Colfax, Wash	45750845	227. The Kent Owen Machine Co	Toledo, O	21750219
144. Illinois Corrugated Metal Co	Springfield, Ill	28750119	228. South Park Machine & Supply Co	Port Huron, Mich	30500215
145. Toulouse & Delorieux Co	San Francisco, Cal	47752099	229. The Ripley Foundry-Machine Co	Ripley, Ohio	20750166
146. The Bilgram Machine Works	Phila., Pa	12753011	230. American Process Co	New York, N. Y	2751522
147. Manufacturers Machine Co	Boston, Mass	1751964	231. Richard Manufacturing Co	Bloomsburg, Pa	14750785
148. Bolch & Oliver Co., Inc	New York, N. Y	2751684	232. Cleveland Punch & Shear Works Co	Cleveland, Ohio	23752655
149. The H. E. Borcher Mfg. Co	New York, N. Y	2751834	233. The Oneill Machine Co	Toledo, Ohio	21750294
150. The Gorgas-Pierie Mfg. Co	Phila., Pa	12751280	234. Novelty Manufacturing Co	Sioux City, Ia	35751146
151. Darbyshire Hawie Iron & Machine Co	El Paso, Texas	44750886	235. Cortland Grinding Wheel Corp	Cortland, N. Y	6750221
152. The H. V. Hartz Co	Cleveland, Ohio	23750098	236. Armstrong-Blum Mfg. Co	Chicago, Ill	26750650
153. The Simonds Mfg. Co	Pittsburgh, Pa	15750663	237. Skagit Steel & Iron Works	Sedro-Woolley, Wash	45750658
154. Southern States Steel Co	Dallas, Texas	41752192	238. Mitts & Merrill	Saginaw, Mich	30750971
155. Crowell Mfg. Co	Brooklyn, N. Y	4750099	239. Ahlberg Bearing Co	Chicago, Ill	26750595
156. B. F. Perkins & Son Inc	Holyoke, Mass	1753989	240. East Side Iron Works, Inc	New York, N. Y	5750186
157. Buffalo Contractors Equipment Co	Buffalo, N. Y	1750384	241. Robert Jacob Engine & Machine Co	St. Louis, Mo	36750720
158. G. S. Blakeslees & Co	Chicago, Ill	26751053	242. High Point Metallic Bed Co	High Point, N. C	57750720
159. The Federal Foundry Supply Co	Cleveland, Ohio	23751738	243. Gullett Gin Co	Amite, La	62750538
160. Marion Machine Foundry & Supply Co	Marion, Ind	24750782	244. The American Steel Grave Vault Co	Galion, Ohio	21750012
161. The D. June Machinery Co	Waco, Texas	44752686	245. Boland Machine & Mfg. Co	New Orleans, La	32750321
162. The Ohio Valley Machine Works	Huntington, W. Va	18751184	246. The Randle Machinery Co	Cincinnati, Ohio	20750229
163. St. Louis Bank Equipment & Fixture Co	St. Louis, Mo	36750195	247. The Fred H. Knapp Co	Baltimore, Md	16750209
164. Holub Dusha Co	New York, N. Y	3750601	248. Acadia Iron Works	Crowley, La	62750225
165. Rockford Iron Works	Rockford, Ill	26750923	249. Weir & Craig Mfg. Co	Chicago, Ill	26752638
166. Hallidie Co	Spokane, Wash	45750238	250. Washington Iron Works	Shannon, Texas	44752910
167. The City Engineering Co	Dayton, Ohio	20751334	251. The Watson-Stillman Co	Aldene, N. J	11757596
168. Butler Mfg. Co	Kansas City, Mo	377518289	252. Dukehart Machinery Co	Des Moines, Iowa	35752316
169. The Edwards Mfg. Co. of Texas	Dallas, Texas	44750932	253. Standard Machine & Electric Co	Indianapolis, Ind	24750825
170. The Ajax Iron Works Co	Denver, Colo	42751145	254. Champion Shoe Machinery Co	St. Louis, Mo	36750529
171. Link-Belt Co	Seattle, Wash	45750322	255. The Karl Kiefer Machine Co	Cincinnati, Ohio	20750307

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

METAL AND METALLURGICAL INDUSTRIES: BRASS, BRONZE, AND COPPER PRODUCTS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE M-2																
1	$200,000	$482,979	$170,236	$7,599	$43,584	$51,183	30.07	$119,053	85.12	35.25	59.53	24.65	$200,000	$174,573	87.29	--------
2	15,000	15,267	5,551	292	675	967	17.42	4,584	37.01	36.36	30.56	30.03	15,000	116	.77	36.24
3	131,400	181,087	20,421	1,168	949	2,117	10.37	18,304	15.54	11.28	13.93	10.11	131,400	64,184	48.85	--------
4	39,000	802,822	8,593	515	--------	515	5.99	8,078	22.03	1.07	20.71	1.01	39,000	80,237	205.74	--------
5	250,000	843,354	255,353	12,030	54,852	66,882	26.19	188,471	102.14	30.28	75,39	22.35	250,000	393,783	159.51	--------
6	20,000	48,519	30,746	1,389	7,583	8,972	29.18	21,774	153.73	63.37	108.87	44.88	20,000	23,131	115.65	38.08
7	75,600	377,889	99,304	4,911	17,445	22,356	22.51	76,948	131.35	26.28	101.78	20.36	75,600	237,388	314.01	--------
8	24,000	45,548	8,647	495	386	881	10.19	7,766	36.03	18.98	32.36	17.05	22,000	11,482	52.19	--------
9	26,000	30,958	5,344	318	35	353	6.61	4,991	20.55	17.26	19.20	16.12	26,000	1,324	5.09	15.46
10	200,000	322,920	55,340	3,020	5,000	8,020	14.49	47,320	27.67	17.14	23.66	14.65	200,000	47,357	23.68	3.99
11	25,000	18,080	5,037	286	258	544	10.80	4,493	20.15	27.86	17.97	24.85	15,000	1,414	9.43	10.72
12	400,000	483,454	96,786	4,973	13,901	18,874	19.50	77,912	24.19	20.02	19.48	16.12	400,000	50,160	12.54	11.65
13	25,000	100,431	13,227	776	283	1,059	8.01	12,168	52.91	13.17	48.67	12.11	25,000	11,458	45.83	7.08
14	180,500	522,607	65,717	3,754	3,150	6,901	10.51	58,813	36.41	12.57	32.58	11.25	180,500	116,732	64.67	--------
15	5,000	23,317	7,817	390	1,310	1,700	21.75	6,117	156.34	33.53	122.34	26.23	5,000	12,470	249.40	--------
16	5,000	58,035	8,450	490	277	767	9.08	7,683	169.00	14.56	153.66	13.24	5,000	11,592	231.84	--------
17	35,000	61,581	5,829	349	--------	349	5.99	5,480	16.65	9.47	15.66	8.90	35,000	27,840	79.54	--------
18	1,220	15,703	4,629	263	238	501	10.82	4,128	379.43	29.48	338.36	26.29	1,220	4,520	370.49	8.94

CODE M-2

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Waterbury Rolling Mills, Inc	Waterbury, Conn	8751684	10. Spargo Wire Co	Rome, N. Y	6750755
2. Somers Company, Inc	Do	8751478	11. The Michigan Tube Co	Detroit, Mich	30750572
3. Eastern Metal & Refining Co., Inc	Boston, Mass	1751754	12. The Smith & Griggs Mfg. Co	Waterbury, Conn	8751421
4. American Brass & Copper Co	New York, N. Y	3750573	13. The Vulcan Copper Works Co	Cincinnati, Ohio	20750363
5. The Bronze Powder Works Co	Elizabeth, N. J	11756236	14. The Imperial Brass Mfg. Co	Chicago, Ill	26751208
6. The Standard Foundry Co	Hartford, Conn	8751555	15. The Gong Bell Mfg. Co	E. Hampton, Conn	8750626
7. A. C. Dallas & Son, Inc	Chicago, Ill	26751522	16. The Commutator Co	Minneapolis, Minn	34750095
8. Southern Brass Mfg. & Plating Co., Inc	Houston, Tex	44752181	17. Metal Barrel Corp	Peoria, Ill	27750055
9. Meneely & Co., Inc	Watervliet, N. Y	5750440	18. The Abbey Scherer Co	Detroit, Mich	30750089

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

METAL AND METALLURGICAL INDUSTRIES: OPTICAL GOODS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
Code M-15																
1	$20,000	$23,753	$4,942	$291	$89	$380	7.69	$4,562	24.71	20.81	22.81	19.21	$20,000	$2,520	12.60	12.11
2	7,050	8,593	7,517	356	1,576	1,932	25.70	5,585	106.62	87.48	79.22	64.99	7,050	1,543	21.89	84.73
3	20,000	31,186	4,862	291	--------	291	5.98	4,571	24.31	15.59	22.86	14.66	20,000	2,364	11.82	12.49
4	51,000	73,854	21,412	1,056	3,809	4,865	22.72	16,547	41.98	28.99	32.45	22.41	51,000	22,305	43.73	----------
5	28,200	60,592	14,949	784	1,875	2,659	17.79	12,290	53.01	24.67	43.58	20.28	28,200	16,478	58.43	----------
6	20,000	38,035	19,450	778	6,470	7,248	37.26	12,202	97.25	51.14	61.01	32.08	20,000	10,624	53.12	44.13
7	8,000	18,985	5,432	306	321	627	11.54	4,805	67.90	28,61	60,06	25.31	5,950	9.513	159,88	----------
8	7,500	8,281	3,707	217	76	293	7.90	3,414	49.43	44.77	45.52	41.23	7,500	781	10.41	39.02
9	30,000	94,639	20,104	754	[2] 1,254	2,008	9.99	18,096	67.01	21.24	60.32	19.12	30,000	19,971	66.57	.44
10	100,000	141,314	32,498	1,689	4,344	6,033	18.56	26,465	32.50	23.00	26.47	18.73	100,000	37,468	37.47	----------
11	18,800	17,777	4,687	265	--------	265	5.65	4,422	24.93	26.37	23.52	24.87	15,000	2,879	19.19	5.74
12	40,500	77,659	32,204	1,367	9,418	10,785	33.49	21,419	79.52	41.47	52.89	27.58	40,500	34,205	84.46	----------
13	22,500	25,961	7,790	405	1,032	1,437	18.45	6,353	34.62	30.01	28.24	24.47	22,500	4,106	18.25	16.37
14	5,000	8,793	6,238	283	1,521	1,804	28.92	4,434	124,76	70.94	88.68	50.43	5,000	6,240	124.80	----------
15	37,000	42,798	10,179	539	1,186	1,725	16.95	8,454	27.51	23.78	22.85	19.75	37,000	12,633	34.14	----------
16	15,000	57,108	12,921	679	922	1,601	12.39	11,320	86.14	22.63	75.47	19.82	15,000	9,121	60.81	25.33
17	20,000	50,000	7,648	444	238	682	8.92	6,966	38.24	15.30	34.83	13.93	20,000	----------	----------	----------
18	10,000	10,000	4,563	246	458	704	15.43	3,859	45.63	45.63	38.59	38.59	1,600	4,577	286.06	----------
19	20,000	51,943	11,568	616	1,300	1,916	16.56	9,652	57.84	22.27	48.26	18.58	20,000	12,568	62.84	----------
20	6,000	6,000	3,331	199	--------	199	5.97	3,132	55.52	55.52	52.20	52.20	6,000	4,724	78.73	----------
21	23,800	42,934	14,954	705	3,199	3,904	26.11	11,050	62.83	34.83	46.43	25.74	23,800	11,967	50.28	12.55
22	1,775	40,112	6,612	385	190	575	8.70	6,037	372.51	16.48	340.11	15.05	1,755	[1] 4,199	−236.56	609.07
23	6,000	10,737	4,707	255	347	602	12.79	4,105	78.45	43.84	68.42	38.23	6,000	4,629	77.15	1.30
24	13,000	13,984	4,744	266	301	567	11.95	4,177	39.53	33.92	34.81	29.87	12,000	1,984	16.53	23.00
25	500	9,602	3,421	205	--------	205	5.99	3,216	684.20	35.63	643.20	33.49	500	2,137	427.40	256.80
26	1,600	26,603	10,517	474	2,608	3,082	29.30	7,435	657.31	39.53	464.69	27.95	1,600	9,441	590.06	67.25
27	10,000	17,614	4,093	245	--------	245	5.99	3,848	40.93	23.24	38.48	21.85	10,000	966	9.66	31.27
28	20,320	20,320	4,252	163	--------	163	3.83	4,089	20.93	20.93	20.12	20.12	20,850	6,103	29.27	----------
29	12,000	31,900	5,840	262	--------	262	4.49	5,578	48.67	18.31	46.48	17.49	12,000	5,719	47.66	1.01
30	300,000	200,000	56,767	2,707	11,645	14,352	25.28	43,415	18.92	28.38	14.14	21.21	300,000	[1] 4,008	−1.34	20.26
31	36,000	118,363	52,513	2,148	16,704	18,852	35.90	33,661	145.81	44.37	93.50	28.44	36,000	41,302	114.73	31.08

30	60,800	83,747	22,175	1,122	3,474	4,596	20.73	17,579	36.47	26.48	28.91	20.99	60,800	15,483	25.47	11.00
33	70,000	282,287	40,382	2,211	3,524	5,735	14.20	34,647	57.69	14.31	49.50	12.27	70,000	74,928	107.04	
34	300,000	378,374	54,062	2,948	4,915	7,863	14.54	46,199	18.02	14.29	15.40	12.21	265,300	7,835	2.95	15.07
35	100,000	164,000	21,887	1,224	1,481	2,705	12.42	19,182	21.89	13.35	19.18	11.70	100,000	12,372	12.37	9.52
36	15,000	40,422	5,877	352		352	5.99	5,525	39.18	14.54	36.83	13.67	15,000	7,783	51.89	

[1] Loss.

[2] 6 months.

CODE M-15

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Geneva Optical Co	Geneva, N. Y	7750272	19. E. E. Bausch & Son Co	Rochester, N. Y	7751037
2. C. A. Longstreth Co	Philadelphia, Pa	12752198	20. Bartels Optical Co	Chicago, Ill	26750676
3. Winchester Optical Co	Horseheads, N. Y	7750112	21. New Orleans Optical Co	New Orleans, La	62750804
4. Geneva Optical Co	St. Louis, Mo	36750647	22. Buffalo Lens Mfg. Co. Inc	Buffalo, N. Y	7750509
5. J. E. Limeburger Co	Philadelphia, Pa	12751645	23. The Reed Optical Co	Dayton, Ohio	20750855
6. Geneva Optical Co	Cincinnati, Ohio	20750851	24. Taylor Jenkins Optical Co	Quincy, Ill	28750471
7. O. H. Gerry Optical Co	Kansas City, Mo	37751936	25. Carter Optical Co. Inc	Knoxville, Tenn	55751643
8. Fried Mills Co., Inc	Newark, N. J	11756668	26. Western Optical Co	Salt Lake City, Utah	41750310
9. Dupaul Young Optical Co	Southbridge, Mass	1753486	27. The E. B. Brown Optical Co	Cleveland, Ohio	23750945
10. Wall & Ochs, Inc	Philadelphia, Pa	12751444	28. Florida Optical Co	Jacksonville, Fla	60750411
11. Klatorick Optical Co	Rochester, N. Y	7751483	29. The M. A. Spencer Co	Cincinnati, Ohio	20750845
12. Geneva Optical Co	Minneapolis, Minn	34750205	30. Crown Optical Co	Rochester, N. Y	7751699
13. F. W. King Optical Co	Cleveland, Ohio	23752059	31. F. A. Hardy & Co. of Texas	Dallas, Texas	44751454
14. Bell-Pope Optical Co	Ogdensburg, N. Y	6750107	32. The Milwaukee Optical Mfg. Co	Milwaukee, Wis	32751321
15. Universal Optical Corporation	Providence, R. I	8751833	33. Globe Optical Co	Boston, Mass	1750759
16. Southern Optical Co	Louisville, Ky	51750001	34. United States Lens Co	Geneva, N. Y	7750774
17. Thompson Optical Inst	Portland, Ore	46750057	35. Julius King Optical Co	New York, N. Y	2751577
18. B. B. W. Manufacturing Co., Inc	New York, N. Y	2753601	36. Geneva Optical Co	Des Moines, Iowa	35750546

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

METAL AND METALLURGICAL INDUSTRIES: SMELTING AND REFINING COPPER, LEAD, ZINC, ETC.

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE M-21																
1	$3,100,000	$3,525,262	$194,977	$11,698	--------	$11,698	6.00	$183,279	6.29	5.53	5.88	5.20	$3,100,000	$448,518	14.47	--------
2	638,600	933,416	167,117	8,984	$17,377	26,361	15.77	140,756	26.17	17.90	22.04	15.08	500,000	229,994	46.00	--------
3	4.000	4,000	5,357	249	1,198	1,447	27.01	3,910	133.93	133.93	97.75	97.75	2,500	5,472	218,88	--------
4	5,000	10,212	4,072	220	395	615	15.10	3,457	81.44	39.87	69.14	33.85	5,000	1,011	20.22	61.22
5	25,000	26,354	12,727	526	3,934	4,460	35.04	8,267	63.64	48.29	41.34	31.37	20,000	6,500	32.50	31.14
6	20,000	150,000	16,006	948	201	1,149	7.18	14,857	64.02	10.67	59.43	9.90	25,000	74,635	298.54	--------
7	35,000	104,396	27,410	1,644	--------	1,644	6.00	25,766	78.31	26.26	73.62	24.68	35,000	8,276	23.65	54.66
8	63,600	73,400	8,409	501	54	555	6.60	7,854	13.22	11.45	12.35	10.70	73,400	51,171	69.72	--------
9	100,000	733,911	241,236	11,355	51,985	63,340	26.26	177,896	241.24	32.87	177.90	24.24	100,000	487,888	487.89	--------
10	100,000	329,082	167,342	6,421	60,315	66,736	39.88	100,606	167.34	50.85	100.61	30.57	100,000	184,329	184.33	--------
11	50,000	249,743	133,030	4,985	49,938	54,923	41.29	78,107	266.06	53.27	156.21	31.28	50,000	261,252	522.50	--------
12	30,000	27,000	5,000	298	--------	298	5.96	4,702	16.67	18.52	15.67	17.41	30,000	--------	--------	--------
13	686,800	3,467,256	1,676,108	65,224	588,706	653,930	39.01	1,022,178	244.05	48.34	148.83	29.48	692,000	1,442,738	208.49	35.56
14	5,100	9,927	4,084	234	174	408	10.00	3,676	80.08	41.14	72.08	37.03	5,100	5,800	113.73	--------
15	100,000	189,791	53,969	2,619	10,306	12,925	23.74	41,044	53.97	28.44	41.04	21.63	100,000	50,256	50.26	3.71
16	150,000	252,571	54,123	2,806	7,356	10,162	18.78	43,961	36.08	21.43	29.31	17.40	100,000	101,570	101.57	--------
17	150,000	1,394,779	488,104	20,877	[2]119,683	140,560	28.79	347,544	325.40	34.99	231.69	24.90	150,000	[1] 449,767	299.84	25.56
18	1,500,000	2,224,428	765,650	34,427	191,840	226,267	29.55	539,383	51.04	34.41	35.96	24.25	1,500,000	771,002	51.40	--------

[1] Loss.

[2] 11 months.

CODE M-21

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. U. S. Metals Refining Co	Boston, Mass	1750900	10. Marks Lissberger & Son, Inc	L. I. City, N.Y	4750431
2. Goldsmith Bros. Smelting & Refining Co	Chicago, Ill	26752746	11. National Zinc Separating Co	Platteville, Wisc	33750750
3. Boston Brazing Co	Boston, Mass	1751088	12. The Climax Mining Co	Platteville, Wisc	33750863
4. L. Ellerbrock Co., Inc	Baltimore, Md	16750781	13. American Vanadium Co	Pittsburgh, Pa	15750693
5. Theodore Riertz Metal Co	St. Louis, Mo	36750245	14. National Smelting & Refining Corp	New York, N.Y	27511038
6. Peninsular Smelting Co	Detroit, Mich	30751002	15. Krupp Foundry Co	Lansdale, Pa	12752174
7. United States Smelting Works	Philadelphia, Pa	12751726	16. Chemical Products Co	Congress Hts., D.C	16751409
8. Empire Smelting Co	Depew, N.Y	7751106	17. The Ajax Metal Co	Philadelphia, Pa	12751979
9. White & Bro., Inc	Philadelphia, Pa	12750722	18. Michigan Smelting & Refining Co	Detroit, Mich	30750986

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

METAL AND METALLURGICAL INDUSTRIES: ALL OTHERS

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess-profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE M-25.																
1	$86, 800	$347, 543	$99, 952	$4, 798	$19, 967	$24, 765	24. 78	$75, 187	115. 15	28. 76	86. 62	21. 63	$86, 800	$207, 500	239. 06	----------
2	106, 800	159, 152	52, 553	2, 443	11, 833	14, 276	27. 16	38, 277	49. 21	33. 02	35. 84	24. 05	106, 800	29, 222	27. 36	21. 85
3	108, 000	111, 718	24, 765	1, 250	3, 458	4, 708	19. 01	20, 057	22. 93	22. 17	18. 57	17. 95	108, 000	13, 334	12. 35	10. 58
4	10, 000	47, 447	26, 106	992	9, 559	10, 551	40. 42	15, 555	261. 06	55. 02	155. 55	32. 79	10, 000	13, 348	133. 48	127. 50
5	10, 000	123, 522	29, 337	1, 516	4, 047	5, 563	18. 96	23, 774	293. 37	23. 75	237. 74	19. 25	10, 000	19, 427	194. 27	99. 18
6	50, 000	359, 341	124, 454	5, 645	30, 357	36, 002	28. 93	88, 452	248. 93	34. 63	176. 90	24. 62	50, 000	97, 106	194. 21	54. 72
7	9, 600	10, 887	3, 884	233	--------	233	6. 00	3, 651	40. 46	35. 68	38. 03	33. 54	9, 600	4, 951	51. 57	----------
8	43, 150	92, 141	18, 187	995	1, 597	2, 592	14. 25	15, 595	42. 15	19. 74	36. 14	16. 93	43, 150	7, 832	18. 15	24. 00
9	450, 000	662, 546	158, 046	8, 008	24, 570	32, 578	20. 61	125, 468	35. 12	23. 85	27. 88	18. 93	450, 000	284, 180	63. 15	----------
10	50, 000	645, 240	134, 962	7, 063	17, 380	24, 443	18. 11	110, 519	269. 92	20. 92	221. 04	17. 13	50, 000	147, 536	295. 07	----------
11	100, 000	160, 381	93, 905	3, 405	37, 139	40, 544	43. 18	53, 361	93. 91	58. 55	53. 36	33. 27	100, 000	61, 369	61. 37	32. 54
12	25, 000	175, 710	31, 066	1, 702	2, 685	4, 387	14. 12	26, 679	124. 26	17. 68	106. 72	15. 18	25, 000	24, 124	96. 50	27. 76
13	30, 000	98, 209	17, 991	972	1, 786	2, 758	15. 33	15, 233	59. 97	18. 32	50. 78	15. 51	30, 000	25, 829	86. 10	----------
14	24, 500	29, 424	5, 755	339	100	439	7. 63	5, 316	23. 49	19. 56	21. 70	18. 07	24, 500	3, 312	13. 52	9. 97
15	10, 000	17, 838	5, 880	318	573	891	15. 15	4, 989	58. 80	32. 96	49. 89	27. 97	10, 000	5, 366	53. 66	5. 14
16	50, 000	50, 000	7, 804	451	276	727	9. 32	7, 077	15. 61	15. 61	14. 15	14. 15	50, 000	1, 382	2. 76	12. 85
17	100, 000	60, 009	10, 683	599	696	1, 295	12. 12	9, 388	10. 68	17. 78	9. 39	15. 62	100, 000	6, 250	6. 25	4. 43
18	1, 250, 000	1, 651, 762	315, 509	17, 669	21, 014	38, 683	12. 26	276, 826	25. 24	19. 10	22. 15	16. 76	1, 250, 000	493, 542	39. 48	----------
19	20, 000	29, 947	13, 316	565	3, 885	4, 450	33. 41	8, 866	66. 58	44. 47	44. 33	29. 61	20, 000	5, 925	29. 63	36. 95
20	25, 000	25, 000	7, 255	387	802	1, 189	16. 39	6, 066	29. 02	29. 02	24. 26	24. 26	25, 000	20, 882	83. 53	----------
21	25, 000	9, 459	4, 835	250	652	902	18. 66	3, 933	19. 34	51. 12	15. 73	41. 58	25, 000	3, 203	12. 81	6. 53
22	26, 500	43, 245	8, 709	522	561	1, 083	12. 44	7, 626	32. 86	20. 14	28. 78	17. 63	26, 500	18, 155	68. 51	----------
23	200, 000	263, 165	166, 477	5, 878	68, 504	74, 382	44. 68	92, 095	83. 24	63. 26	46. 05	34. 99	100, 000	142, 346	142. 35	----------
24	100, 000	300, 000	47, 433	2, 636	3, 486	6, 122	12. 91	41, 311	47. 43	15. 81	41. 31	13. 77	100, 000	69, 071	69. 07	----------
25	600, 000	449, 962	183, 940	7, 690	55, 769	63, 459	34. 50	120, 481	30. 66	40. 88	20. 08	26. 78	200, 000	98, 191	49. 10	----------
26	38, 805	270, 840	50, 700	2, 731	5, 168	7, 899	15. 58	42, 801	130. 64	18. 72	110. 30	15. 80	38, 805	133, 263	343. 37	----------
27	55, 000	80, 320	16, 588	902	1, 551	2, 453	14. 79	14, 135	30. 16	20. 65	25. 70	17. 60	50, 000	15, 821	31. 64	----------
28	500	9, 065	54, 131	3, 002	4, 090	7, 092	13. 10	47, 039	10, 826. 20	596. 15	9, 407. 80	518. 91	500	10, 301	2, 060. 20	8, 766. 00
29	25, 000	47, 009	7, 814	342	--------	342	4. 38	7, 472	31. 26	16. 62	29. 89	15. 89	25, 000	7, 060	28. 24	3. 02

30	250,000	322,119	68,427	3,518	9,792	13,310	19.45	55,117	27.37	21.24	22.05	17.11	50,000	75,703	151.41	
31	600,000	704,955	281,524	11,868	83,708	95,576	33.95	185,948	46.92	39.93	30.99	26.38	300,000	377,733	125.68	
32	20,000	21,571	14,162	540	5,161	5,701	40.26	8,461	70.81	65.65	42.31	39.22	20,000	5,755	28.78	42.03
33	100,000	119,865	32,150	1,589	5,656	7,245	22.53	24,905	32.15	26.82	24.91	20.78	100,000	42,341	42.34	
34	25,000	229,658	61,584	3,039	10,922	13,961	22.67	47,623	246.34	26.82	190.49	20.74	25,000	45,077	180.31	66.03

CODE M-25

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Bridgeport Metal Goods Mfg. Co	Bridgeport, Conn	8750245	18. Hess Bright Mfg. Co	Philadelphia, Pa	12752021
2. Pacific Metal Works of Oregon	Portland, Oregon	46750271	19. C. Radcliffe & Sons Co	Newark, N. J	11757334
3. B. Coulon & Company	Newark, N. J	11756418	20. N. Y. Bottlers Supplies Mfg. Co	Hoboken, N. J	11757155
4. American Glyco Metal Co	Chicago, Ill	26750646	21. Peerless Handcuff Co	Springfield, Mass	1751328
5. Kahl-Holt Co	Baltimore, Md	16750522	22. J. S. Turner White Metal Co	Highland Park, N. J	11757538
6. The F. Kelly Co	Derby, Conn	8750909	23. Vulcanite Mfg. Co	Lindenhurst, N. J	4750258
7. The North Western Metal Mfg. Co	Minneapolis, Minn	34750066	24. A. H. Wirz, Inc	Chester, Pa	12752102
8. Asbestos Burial Casket Co	Lowville, N. Y	6750076	25. Atlas Ball Co	Philadelphia, Pa	12753157
9. The Riverside Metal Co	Riverside, N. J	10750343	26. Douglas & Lomason Co	Detroit, Mich	30750224
10. The Fulton Company	Knoxville, Tenn	55750941	27. Detroit Metallic Casket Co	Detroit, Mich	30750267
11. Globe Wire Co	Sharpsburg, Pa	15750103	28. New York Specialty Co	New York, N. Y	2753195
12. Edes Mfg. Co	Plymouth, Mass	1751883	29. Multiplex Faucet Co	St. Louis, Mo	36500279
13. Detroit Casket Co	Detroit, Mich	30750254	30. The Bantam Ball Bearing Co	Bantam, Conn	8750175
14. Rosenband Mfg. Co., Inc	Newark, N. J	11757384	31. Bower Roller Bearing Co	Detroit, Mich	30750829
15. L. B. Allen Co., Inc	Chicago, Ill	26753137	32. E. L. Post & Co., Inc	New York, N. Y	2751053
16. Richmond Bros. Co	Newark, N. J	11757319	33. Milwaukee Gas Specialty Co	Milwaukee, Wis	32752107
17. Garwood Co	Garwood, N. J	11756712	34. Bernardin Bottle Cap Company	Evansville, Ind	25750423

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

MINING: COAL, BITUMINOUS AND LIGNITE, APPALACHIAN

Symbol	Capital stock, 1917	Invested capital 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profit tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE MI-1B																
1	$400,000	$639,400	$366,808	$13,289	$145,314	$158,603	43.24	$208,205	91.70	57.37	52.05	32.56	$459,600	[1] $7,890	−1.72	93.42
2	13,100	21,688	6,969	391	466	857	12.29	6,112	53.20	32.13	46.66	28.18	13,100	865	6.60	46.60
3	600,000	673,116	217,073	10,046	49,628	59,674	27.49	157,399	36.18	32.25	26.23	23.38	200,000	128,648	64.32	---------
4	60,000	60,000	36,255	1,330	14,073	15,403	42.48	20,852	60.42	60.42	34.75	34.75	60,000	13,552	22.58	37.84
5	40,000	29,893	31,888	1,015	14,960	15,975	50.09	15,913	79.72	106.67	39.78	53.23	2,000	6,908	345.00	---------
6	9,900	30,269	50,900	1,470	26,400	27,870	54.75	23,030	514.14	168.16	232.62	76.08	9,900	9,542	96.38	417.76
7	1,500	10,444	10,444	389	3,948	4,337	41.52	6,107	696.26	100.00	407.13	58.47	1,500	1,286	85.74	610.52
8	140,081	140,081	148,784	4,576	72,499	77,075	51.80	71,709	106.21	106.21	51.18	51.19	100,000	25,727	25.73	80.48
9	10,000	22,032	6,131	348	317	665	10.85	5,466	61.31	27.83	54.66	24.80	9,200	4,208	45.74	15.57
10	650,000	826,327	131,986	17,239	11,325	28,564	21.64	103,422	20.31	15.96	15.91	12.52	650,000	82,291	12.66	7.65
11	30,000	74,796	34,522	1,393	11,297	12,690	36.76	21,832	115.07	46.15	72.77	29.19	30,000	42,514	141.71	---------
12	150,000	785,305	585,258	19,707	251,964	271,671	46.42	313,587	390.17	74.52	209.06	39.94	150,000	257,099	171.40	218.77
13	33,000	38,984	14,422	659	3,439	4,098	28.41	10,324	43.70	36.99	31.28	26.48	33,000	6,023	18.25	25.45
14	300,000	664,059	404,111	14,515	162,179	176,694	43.73	227,417	134.70	60.85	75.80	34.24	300,000	76,595	25.53	109.17
15	179,200	211,811	69,053	3,210	15,541	18,751	27.16	50,302	38.53	32.60	28.07	23.75	179,200	13,649	7.62	30.91
16	100,000	116,246	160,951	4,720	82,253	86,973	54.04	73,978	160.95	138.45	73.98	63.64	100,000	16,246	16.25	144.70
17	60,000	50,909	18,039	823	4,317	5,140	28.49	12,899	30.07	35.43	21.50	25.33	30,000	9,409	31.36	---------
18	7,500	27,260	6,928	384	527	911	13.15	6,017	92.37	25.41	80.22	22.07	7,500	10,117	134.89	---------
19	115,000	175,282	177,395	5,641	101,154	106,795	60.20	70,600	154.26	101.20	61.39	40.28	115,000	106,668	92.75	61.51
20	88,750	88,750	27,839	1,308	6,025	7,333	26.34	20,506	31.36	31.36	23.10	23.10	87,750	7,841	8.93	22.43
21	28,560	28,560	5,130	307	---------	307	5.98	4,823	17.96	17.96	16.89	16.89	28,560	7,288	25.52	---------
22	6,000	9,035	13,130	494	4,889	5,383	41.00	7,747	218.83	145.32	129.12	85.74	6,000	3,035	50.58	168.25
23	15,000	15,000	5,553	286	766	1,052	18.94	4,501	37.02	37.02	30.01	30.01	15,000	[1] 450	−3.00	40.02
24	300,000	300,000	69,391	3,489	11,237	14,726	21.22	54,665	23.13	23.13	18.22	18.22	300,000	5,730	1.91	21.22
25	250,000	250,000	53,525	2,745	7,758	10,503	19.62	43,022	21.41	21.41	17.21	17.21	250,000	8,052	3.22	18.19
26	50,000	268,204	76,593	3,633	16,031	19,664	25.67	56,929	153.19	28.56	113.86	21.22	50,000	7,839	15.68	137.51
27	---------	35,000	23,736	851	9,542	10,393	43.78	13,343	---------	67.82	---------	38.12	1,200	3,553	296.08	---------
28	45,800	45,800	10,216	548	1,075	1,623	15.88	8,593	22.31	22.31	18.76	18.76	45,600	[1] 448	−.98	23.29
29	10,000	86,360	50,200	1,841	19,502	21,343	42.51	28,857	502.00	58.13	288.57	33.41	10,000	[1] 215	−1.15	504.15
30	105,500	160,952	60,681	2,612	17,138	19,750	32.55	40,931	57.52	37.70	38.80	25.43	105,500	9,293	8.81	48.71
31	10,000	10,947	4,092	233	195	428	10.46	3,664	40.92	37.38	36.64	33.47	---------	1,088	---------	---------

32	50,000	161,241	37,743	1,948	5,273	7,221	19.13	30,522	75.49	23.41	61.04	18.93	50,000	29,578	59.16	16.33
33	15,000	15,000	7,504	338	1,869	2,207	29.41	5,297	50.03	50.03	35.31	35.31	15,000	2,284	15.23	34.80
34	843,650	1,678,370	626,240	25,763	196,847	222,610	35.55	403,630	74.23	37.31	47.84	24.05	843,650	504,928	59.85	14.38
35	100,000	167,158	58,533	2,604	15,129	17,733	30.30	40,800	58.53	35.02	40.80	24.41	100,000	36,651	36.65	21.88
36	2,000,000	2,000,000	526,778	25,399	103,450	128,849	24.46	397,929	26.34	26.34	19.90	19.90	2,000,000	171,787	8.59	17.75
37	30,000	186,577	110,121	4,022	43,078	47,100	42.77	63,021	367.07	59.02	210.07	33.78	30,000	37,167	123.86	243.21
38	12,000	220,000	35,751	1,955	3,167	5,122	14.33	30,629	297.93	16.25	255.24	13.92	12,000	[1] 927	−7.73	305.66
39	40,000	50,000	22,000	924	6,600	7,524	34.20	14,476	55.00	44.00	36.19	28.95	40,000	1,259	3.15	51.85
40	8,000	21,355	24,413	785	11,352	12,137	49.65	12,306	305.54	114.46	153.83	57.63	8,000	10,532	131.65	173.89
41	25,000	48,930	17,678	799	4,331	5,130	29.02	12,548	70.71	36.13	50.19	25.64	25,000	7,427	29.71	41.00
42	50,000	195,935	58,207	2,738	12,563	15,301	26.29	42,906	116.41	29.71	85.81	21.90	5,000	[1] 6,837	−136.74	253.15
43	25,000	41,246	29,153	806	6,717	7,523	37.32	12,630	80.61	48.86	50.52	30.62	25,000	4,357	17.43	63.18
44	100,000	138,905	34,742	1,770	5,241	7,011	20.18	27,731	34.74	25.01	27.73	19.96	100,000	51,549	51.54	------------
45	40,000	101,522	164,928	4,700	86,580	91,280	55.34	73,648	412.32	162.33	184.12	72.49	40,000	13,689	34.22	378.10
46	500,000	685,160	225,812	10,221	55,452	65,673	29.07	160,139	45.16	32.96	32.03	23.37	500,000	46,750	9.34	35.82
47	100,000	125,007	32,622	1,630	5,454	7,084	21.71	25,538	32.62	26.08	25.54	20.42	100,000	7,711	7.71	24.91
48	20,000	17,391	20,767	669	9,613	10,282	49.50	10,485	103.84	119.41	52.43	60.29	20,000	4,180	20.90	82.94
49	20,000	98.111	29,949	1,439	5,958	7,397	24.70	22,549	149.70	30.52	112.74	22.98	20,000	9,099	45.50	104.20
50	100,000	217,705	164,199	5,544	72,230	77,774	47.37	86,425	164.20	75.39	86.43	39.69	100,000	28,801	28.80	135.40
51	44,200	103,704	31,550	1,563	6,491	7,994	25.34	23,556	71.38	30.42	30.39	22.71	44,200	70,700	159.95	------------
52	900,000	3,810,142	893,945	44,386	154,168	298,554	33.40	595,391	99.33	23.46	66.15	15.62	900,000	102,711	11.41	87.92
53	18,000	67,280	22,733	1,049	5,235	6,284	27.63	16,449	126.29	33.79	91.38	24.45	18,000	12,031	66.83	59.46
54	116,374	174,139	68,372	2,888	20,223	23,111	33.80	45,261	58.73	39.19	38.88	25.99	70,800	9,003	12.71	46.02
55	12,500	12,500	8,184	338	2,548	2,886	35.26	5,298	65.47	65.47	42.38	42.38	12,300	7,000	56.91	8.56
56	350,000	353,541	79,195	4,089	11,032	15,121	19.09	64,074	22.63	22.40	18.31	18.12	100,000	[1] 147	−.15	22.78
57	4,200	6,357	6,904	289	2,075	2,364	34.24	4,540	164.38	108.60	108.10	71.42	4,200	2,201	52.40	111.98
58	100,000	8[illegible],345	16,714	904	1,643	2,547	15.23	14,167	16.71	20.30	14.17	17.20	15,500	3,360	21.68	------------
59	100,000	254,225	367,453	10,623	190,382	201,005	54.70	166,448	193.39	150.45	87.60	65.45	190,000	77,328	40.70	152.69
60	50,000	62,932	73,220	2,302	34,837	37,139	50.72	36,081	146.44	116.35	72.16	57.33	25,000	16,611	66.44	80.00
61	100,000	125,474	216,119	6,111	114,265	120,376	55.66	95,743	216.12	172.23	95.74	74.30	100,000	23,488	23.49	192.63
62	300,000	1,494,675	666,220	29,021	182,529	211,550	31.75	454,670	220.07	44.57	151.56	30.42	300,000	334,754	111.58	108.49
63	60,000	102,879	29,402	1,417	5,789	7,206	24.51	22,196	49.00	28.57	36.99	21.57	6,000	23,667	393.78	------------
64	25,000	22,559	7,015	366	911	1,277	18.20	5,738	28.06	31.10	22.95	25.43	15,000	------------	------------	------------
65	30,000	92,476	168,503	4,745	89,404	94,149	55.84	74,354	561.67	182.21	247.84	80.40	30,000	104,486	348.29	213.38
66	100,000	123,507	48,389	2,057	14,099	16,156	33.39	32,233	48.39	39.18	32.32	26.10	100,000	3,938	3.94	44.45
67	442,800	982,085	377,762	15,937	112,135	128,072	33.90	249,690	85.31	38.47	56.39	25.42	442,800	155,866	35.20	50.11
68	159,800	267,627	74.623	3,566	15,183	18,749	25.12	55,874	46.70	27.88	34.96	20.87	182.300	6,451	3.54	43.16
69	100,000	189,697	71,072	3.061	20,038	23,099	32.50	47,973	71.07	37.47	47.97	25.29	100,000	4,930	49.30	21.77
70	100,000	100,000	76,429	2,589	33,257	35,846	46.90	40,583	76.43	76.43	40.58	40.58	100,000	16,262	16.26	60.17
71	20,000	57,767	71,778	2,158	35,796	37,954	52.87	33,824	358.89	124.25	169.12	58.55	20,000	12,647	63.24	295.65
72	300,000	329,071	86,710	4,210	16,536	20,746	23.93	65,964	28.90	26.35	21.99	20.04	300.000	[1] 9,904	−3.30	32.20
73	400,000	1,082,903	548,306	20,731	202,767	223,498	40.75	324,808	137.08	50.33	81.20	30.00	400.00	60,372	15.09	121.99
74	200,000	210,924	50,507	2,531	8,324	10,855	21.49	39,652	25.25	23.94	19.83	18.80	160,000	[1] 469	−.29	25.54
75	20,800	44,000	59,750	1,781	30,058	31,839	53.29	27,911	287.26	135.80	134.18	63.43	20,800	7,689	36.96	250.30
76	70,000	119,133	39,904	1,822	9,523	11,345	28.43	28,559	57.00	33.49	40.80	23.97	70,000	46,289	66.13	------------
77	50,000	632,803	171,553	8,374	31,986	40,360	23.53	131,193	343.11	27.11	262.39	20.73	50,000	32,500	65.00	278.11
78	25,000	19,642	49,963	1,375	27,043	28,418	56.88	21,545	199.85	262.38	86.18	113.14	25,000	1,717	6.88	192.97
79	20,000	108,021	89,753	2,954	40,505	43,459	48.42	46,294	448.77	83.09	231.47	42.86	20,000	5,137	25.69	423.08
80	6,000	6,000	3,533	210	32	242	6.85	3,291	58.88	58.88	54.85	54.85	(2)	(2)	(2)	(2)
81	5,000	34,100	14,529	633	3,977	4,610	31.73	9,919	290.58	42.61	198.38	29.09	5,000	16,038	320.76	------------
82	3,000	3,000	5,327	308	---------	308	5.78	5,019	177.57	177.57	167.30	167.30	3,000	225	7.50	170.07

[1] Loss.

[2] Not in business in 1916.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

MINING: COAL, BITUMINOUS AND LIGNITE, APPALACHIAN—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	()8	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE MI 1B																
83	$80, 000	$160, 210	$35, 433	$1, 816	$5, 152	$6, 968	19. 67	$28, 465	44. 29	22. 12	35. 58	17. 77	$80, 000	$6, 958	8. 70	35. 59
84	100, 000	131, 357	46, 343	2, 094	11, 440	13, 534	29. 20	32, 809	46. 34	35. 28	32. 81	24. 98	50, 000	4, 673	9. 35	36. 99
85	500, 000	500, 000	209, 750	8, 550	67, 250	75, 800	36. 14	133, 950	41. 95	41. 95	26. 79	26. 79	500, 000	[1] 17, 163	−3. 42	45. 37
86	5, 000	5, 000	3, 475	205	45	250	7. 19	3, 225	69. 50	69. 50	64. 50	64. 50	3, 500	851	24. 31	45. 19
87	6, 000	112, 630	23, 839	1, 246	3, 069	4, 315	18. 10	19, 524	397. 31	21. 17	325. 40	17. 33	6, 000	11, 758	195. 97	201. 34
88	100, 000	121, 498	49, 346	2, 554	6, 769	9, 323	18. 89	40, 023	49. 35	40. 62	40. 02	32. 94	50, 000	10, 418	20. 84	28. 51
89	50, 000	133, 245	26, 446	1, 396	3, 146	4, 542	17. 17	21, 904	52. 89	19. 85	43. 81	16. 44	50, 000	9, 416	18. 83	34. 06
90	32, 000	32, 000	6, 053	355	123	478	7. 90	5, 575	18. 92	18. 92	17. 42	17. 42	32, 000	[1] 1, 988	−6. 21	25. 13
91	100, 000	161, 600	76, 736	3, 040	26, 049	29, 089	37. 91	47, 647	76. 74	47. 48	47. 65	29. 48	100, 000	[1] 646	−. 65	77. 39
92	10, 000	65, 250	26, 890	1, 131	8, 038	9, 169	34. 10	17, 721	268. 90	41. 21	177. 21	27. 16	10, 000	2, 539	25. 39	243. 51
93	650, 000	496, 449	236, 014	9, 214	82, 427	91, 641	38. 83	144, 373	36. 31	47. 54	22. 21	29. 08	650, 000	167, 364	25. 75	10. 56
94	34, 000	34, 000	11, 475	547	2, 327	2, 874	25. 05	8, 601	33. 73	33. 73	25. 30	25. 30	34, 000	[1] 2, 753	−8. 09	41. 82
95	500, 000	511, 540	287, 831	10, 626	110, 714	121, 340	42. 16	166, 491	57. 57	56. 27	33. 30	32. 55	500, 000	118, 818	23. 76	33. 81
96	500, 000	903, 394	162, 388	8, 508	20, 574	29, 082	17. 91	133, 306	32. 48	17. 98	26. 66	14. 76	500, 000	9, 571	1. 91	30. 57
97	300, 000	417, 705	78, 835	4, 122	10, 128	14, 250	18. 08	64, 585	26. 28	18. 87	21. 53	15. 46	300, 000	34, 204	11. 40	14. 88
98	64, 000	89, 683	29, 236	1, 369	6, 413	7, 782	26. 62	21, 454	45. 68	32. 60	33. 52	23. 92	64, 000	10, 385	16. 23	29. 45
99	62, 000	83, 103	22, 217	1, 110	3, 705	4, 815	21. 67	17, 402	35. 83	26. 73	28. 07	20. 94	62, 000	12, 727	20. 53	15. 30
100	30. 000	56, 435	18, 815	880	4, 142	5, 022	26. 64	13, 793	62. 72	33. 34	45. 98	24. 44	30, 000	1, 653	5. 51	57. 21
101	150, 000	227, 430	91, 297	3, 855	27, 036	30, 891	33. 85	60, 406	60. 86	40. 14	40. 27	26. 56	150, 000	11, 932	7. 95	52. 91
102	100, 000	195, 620	68, 537	3, 088	17, 047	20, 135	29. 38	48, 402	68. 54	35. 04	48. 40	24. 74	100, 000	94, 389	94. 39	----------
103	250, 000	162, 778	71, 294	2, 899	22, 969	25, 868	36. 28	45, 426	28. 52	43. 80	18. 17	27. 91	62, 236	[1] 45, 368	−72. 89	101. 41
104	500, 000	1, 030, 741	183, 763	9, 634	23, 179	32, 813	17. 86	150, 950	36. 75	17. 83	30. 19	14. 64	500, 000	15, 124	3. 02	33. 73
105	4, 000	37, 000	8, 120	444	704	1, 148	14. 14	6, 972	203. 00	21. 95	174. 30	18. 84	5, 000	4, 716	94. 32	108. 68
106	250, 000	312, 840	89, 679	4, 243	18, 952	23, 195	25. 86	66, 484	35. 87	28. 67	26. 59	21. 25	100, 000	10, 000	10. 00	25. 87
107	300, 000	683, 035	107, 676	5, 733	12, 118	17, 851	16. 58	89, 825	35. 89	15. 76	29. 94	13. 15	300, 000	18, 465	6. 16	29. 73
108	400, 000	550, 000	132, 292	6, 230	[3] 28, 452	34, 682	26. 22	97, 610	33. 07	24. 05	24. 40	17. 75	400, 000	33, 695	8. 42	24. 65
109	2, 500, 000	4, 183, 304	1, 663, 551	70, 125	494, 799	564, 924	33. 96	1, 098, 627	66. 54	39. 77	43. 95	26. 26	1, 000	[1] 436	−43. 60	110. 14
110	50, 000	84, 117	87, 826	2, 729	42, 338	45, 067	51. 31	42, 759	175. 65	10. 44	85. 52	50. 83	50, 000	9, 193	18. 39	157. 26
111	50, 000	165, 348	37, 533	1, 938	5, 228	7, 166	19. 09	30, 367	75. 07	22. 70	60. 73	18. 36	50, 000	[1] 1, 784	−3. 56	78. 63

112	750,000	750,000	133,194	7,686	15,073	22,159	16.63	111,035	17.76	17.76	14.80	14.80	750,000	[1] 1,905	-.25	18.01
113	588,700	887,873	247,890	11,758	51,907	63,665	25.68	184,225	42.11	27.92	31.29	20.75	500,000	78,751	15.75	26.36
114	45,800	105,521	21,350	1,131	2,496	3,627	16.99	17,723	46.61	20.23	38.69	16.79	45,800	2,538	5.54	41.07
115	120,000	111,164	46,205	1,931	14,005	15,936	34.49	30,269	38.50	41.56	25.22	27.23	60,000	6,843	11.41	27.09
116	75,000	278,469	328,437	9,855	164,066	173,921	52.95	154,516	437.92	117.94	266.02	55.49	75,000	42,544	56.73	381.19
117	75,000	107,821	54,241	2,101	19,221	21,322	39.31	32,919	72.32	50.30	43.89	30.53	50,400	9,786	19.42	52.90
118	125,000	131,717	22,865	1,234	2,284	3,518	15.39	19,347	18.29	17.36	15.48	14.69	125,000	13,027	10.42	7.87
119	15,000	17,400	10,700	426	3,582	4,008	37.46	6,692	71.33	61.49	44.61	38.46	15,000	2,400	16.00	55.33
120	20,000	58,228	13,412	718	1,444	2,162	16.12	11,250	67.06	23.03	56.25	19.32	20,000	11,044	55.22	11.84
121	50,000	54,203	47,725	1,558	21,747	23,305	48.83	24,420	95.45	88.05	48.84	45.05	50,000	15,947	31.89	63.56
122	51,000	163,325	175,793	5,411	85,603	91,014	51.77	84,779	344.69	107.63	166.23	51.91	100,000	[1] 10,412	-10.41	355.10
123	25,000	25,000	22,991	613	2,545	3,158	13.74	19,833	91.96	91.96	79.33	79.33	20,000	------	------	------
124	30,000	158,875	29,312	1,560	3,312	4,872	16.62	24,440	97.71	18.45	81.47	15.38	30,000	1,885	6.28	91.43
125	113,000	113,000	59,800	2,257	22,172	24,429	40.85	35,371	52.92	52.92	31.30	31.30	113,000	10,058	8.90	44.02
126	5,000	18,225	4,663	279	10	289	6.20	4,374	93.26	25.59	87.48	24.00	5,000	[1] 4,854	-97.08	190.34
127	30,000	110,001	25,781	1,341	3,418	4,759	18.46	21,022	85.94	23.44	70.07	19.11	30,000	8,908	29.69	56.25
128	1,000	1,161	3,889	204	485	689	17.72	3,200	388.90	334.97	320.00	275.63	1,000	228	22.80	366.10
129	14,600	43,108	44,072	1,405	20,649	22,054	50.04	22,018	301.86	102.24	150.81	51.08	14,600	15,560	106.58	195.28
130	10,000	54,494	54,193	1,722	25,485	27,207	50.21	26,986	541.93	99.45	269.86	49.52	10,000	[1] 136	-1.36	543.29
131	200,000	209,515	252,901	7,614	125,999	133,613	52.83	119,288	126.45	120.71	59.64	56.94	200,000	133,782	66.89	59.56
132	10,000	569,286	395,458	12,889	180,637	193,526	48.94	201,932	3,954.58	69.46	2,019.32	35.47	10,000	76,522	765.22	3,189.36
133	360,000	627,035	126,848	6,726	14,737	21,463	16.92	105,385	35.24	20.23	29.27	16.81	360,000	[4] 16,400	4.55	39.79
134	125,000	125,000	95,993	3,209	42,496	45,705	47.61	50,288	76.79	76.79	40.23	40.23	124,925	3,905	3.15	73.64
135	1,278,775	2,007,195	563,782	26,650	119,623	146,273	25.95	417,509	44.09	28.09	32.65	20.80	------	145,770	------	------
136	50,000	42,291	102,206	2,809	55,379	58,188	56.93	44,018	204.41	241.67	88.04	104.08	20,000	42,606	213.03	------
137	40,000	53,773	47,697	1,561	21,673	23,234	48.72	24,463	119.24	88.70	61.16	45.49	125,000	[1] 2,148	-1.71	120.95
138	15,000	212,926	42,897	1,487	[5] 2,324	3,811	8.88	39,086	285.98	20.15	260.57	18.36	15,000	42,897	285.98	------
139	6,800	64,772	15,023	783	1,970	2,753	18.33	12,270	226.93	23.19	180.44	18.94	6,800	223	3.28	217.65
140	7,000,000	7,000,000	2,206,914	99,945	541,161	641,106	29.05	1,565,808	31.53	31.53	22.37	22.37	843,650	504,929	59.85	------
141	10,000	112,575	98,465	3,182	45,420	48,602	49.36	49,863	984.65	87.47	498.63	44.29	10,000	12,727	127.27	857.38
142	5,000	4,692	35,978	984	19,561	20,545	57.10	15,433	719.56	766.79	308.66	328.92	500	------	------	------
143	25,000	14,250	65,217	1,719	36,562	38,281	58.70	26,936	260.87	457.66	107.74	189.02	25,000	------	------	------
144	5,000	27,400	17,943	668	6,799	7,467	41.61	10,476	358.86	65.48	209.52	38.23	5,000	4,835	96.70	262.16
145	123,591	123,591	176,278	5,126	90,830	95,956	54.43	80,322	142.63	142.63	64.99	64.99	65,000	15,684	24.12	118.51
146	999,000	2,250,959	813,838	35,234	226,591	261,825	32.17	552,013	81.47	36.15	55.26	24.52	999,300	60,965	6.10	75.37
147	5,000	5,000	14,425	466	6,645	7,111	49.30	7,314	288.50	288.50	146.28	146.28	5,000	[1] 1,327	-26.54	315.04
148	200,000	252,805	110,201	4,437	36,239	40,676	36.90	69,525	55.11	43.59	34.76	27.50	100,000	6,349	6.35	48.76
149	21,500	22,133	21,628	884	6,891	7,775	35.91	13,853	100.59	97.72	64.43	62.59	(2)	(2)	(2)	(2)
150	50,000	93,835	18,036	991	1,516	2,507	13.89	15,529	36.07	19.22	31.05	16.54	50,000	[1] 4,313	-8.63	44.70
151	75,000	75,000	75,682	2,374	36,109	38,483	50.85	37,199	100.91	100.91	49.60	49.60	75,000	1,915	2.55	98.36
152	300,000	319,000	63,291	3,295	8,364	11,659	18.42	51,632	21.09	19.84	17.21	16.18	50,000	10,040	20.08	1.01
153	30,000	83,486	134,301	3,860	69,962	74,822	55.72	59,479	447.67	160.86	198.26	71.24	30,000	64,041	213.47	234.20
154	500,000	1,406,255	1,438,647	44,676	691,970	736,646	51.22	702,001	287.73	102.30	140.40	49.92	500,000	186,096	37.21	250.62
155	48,000	287,298	155,441	5,772	59,233	65,005	41.81	90,436	323.83	54.10	188.40	31.47	48,000	137	.29	323.54
156	5,000	8,450	6,444	287	1,661	1,948	30.22	4,496	128.88	76.26	89.92	53.21	5,000	1,694	33.68	95.20
157	600,000	608,511	612,358	19,137	292,233	311,270	50.83	300,988	102.06	100.64	50.16	49.46	600,000	208,532	34.75	67.31
158	445,335	563,428	164,824	7,713	36,097	43,810	26.53	121,014	37.01	29.25	27.17	21.48	100,000	19,960	19.96	17.05
159	150,000	649,288	398,700	14,116	162,115	176,231	44.20	222,469	265.80	61.41	148.31	34.26	150,000	72,032	48.02	217.78
160	60,921	91,413	82,458	2,650	38,271	40,921	49.63	41,537	135.35	90.20	68.18	45.44	60,921	33,025	54.21	81.14
161	97,488	127,698	168,230	4,992	85,014	90,006	53.50	78,224	172.56	131.74	80.24	61.26	97,488	9,931	10.18	162.38
162	10,000	1,274,364	785,641	27,760	322,958	350,718	44.64	434,923	7,856.41	61.64	4,349.23	34.13	10,000	187,279	1,872.79	5,983.62

[1] Loss.

[3] 10 months.

[4] 1 month.

[5] 5 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

MINING: COAL, BITUMINOUS AND LIGNITE, APPALACHIAN—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917: Income tax	Tax, 1917: Excess-profits tax	Tax, 1917: Total tax	Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE M1 1B																
163	$15,000	$231,483	$216,062	$6,888	$101,259	$108,147	50.05	$107,915	1,440.41	93.33	719.43	46.61	$15,000	$87,350	582.33	858.08
164	50,000	729,486	351,612	13,639	124,288	137,927	39.23	213,685	703.22	48.20	427.37	29.29	50,000	124,471	248.94	454.28
165	5,000	5,000	6,273	271	1,754	2,025	32.28	4,248	125.46	125.46	84.96	84.96	5,000	4,200	84.00	41.46
166	200,000	583,344	293,111	11,270	105,159	116,429	39.72	176,682	146.56	50.24	88.34	30.29	200,000	102,115	51.06	95.50
167	25,000	90,973	50,808	1,909	18,968	20,877	41.09	29,931	203.23	55.85	119.72	32.90	25,000	40,496	161.98	41.25
168	150,000	459,115	187,365	7,837	56,725	64,562	34.46	122,803	124.91	40.81	81.87	26.75	150,000	64,560	43.04	81.87
169	100,000	339,808	212,210	7,534	86,629	94,163	44.37	118,047	212.21	62.45	118.05	34.74	6,000	27,498	458.30	----------
170	100,000	129,675	67,533	2,509	17,420	19,929	29.51	47,604	67.53	52.08	47.60	36.71	60,000	37,310	62.18	5.35
171	25,000	73,727	26,532	1,194	6,619	7,813	29.45	18,719	106.13	35.99	74.88	25.39	25,000	5,090	20.36	85.77
172	4,800	33,716	16,674	934	1,093	2,027	12.16	14,647	347.38	49.45	305.15	43.44	4,800	15,671	326.47	20.91
173	150,000	353,263	349,269	10,961	166,569	177,530	50.83	171,739	232.85	98.87	114.49	48.62	150,000	114,244	76.16	156.69
174	100,000	128,007	186,061	5,407	95,932	101,339	54.47	84,722	186.06	145.35	84.72	66.19	100,000	48,245	48.25	137.81
175	10,000	427,173	265,558	9,485	107,474	116,959	44.04	148,599	2,655.58	62.17	1,485.99	34.79	10,000	45,144	451.44	2,204.14
176	100,000	100,000	22,485	1,078	2,920	3,998	17.78	18,487	22.49	22.49	18.49	18.49	100,000	15,625	15.63	6.86
177	20,000	17,947	4,092	245	----------	245	5.99	3,847	20.46	22.80	19.24	21.44	8,000	5,827	72.84	----------
178	5,000	120,941	40,007	1,852	9,133	10,985	27.46	29,022	800.14	33.08	580.44	24.00	5,000	22,841	456.82	343.32
179	75,000	77,704	31,685	1,346	9,242	10,588	33.42	21,097	42.25	40.77	28.13	27.15	75,000	4,945	6.59	35.66
180	5,200	162,333	46,630	2,222	9,588	11,810	25.33	34,820	896.73	28.72	669.62	21.45	5,200	26,122	502.35	394.38
181	100,000	184,839	165,171	5,308	76,691	81,999	49.64	83,172	165.17	89.36	83.17	45.00	100,000	15,494	15.49	149.68
182	20,000	102,352	33,769	1,583	7,380	8,963	26.54	24,806	168.85	32.99	124.03	24.24	20,000	10,158	50.79	118.06
183	18,000	131,115	21,998	1,225	1,566	2,791	12.69	19,207	122.22	16.78	106.71	14.65	18,000	346	1.92	120.30
184	31,200	48,956	14,650	726	2,538	3,264	22.28	11,386	46.96	29.92	36.49	23.26	31,200	5,767	18.48	28.48
185	50,000	65,000	36,777	1,371	13,926	15,297	41.59	21,480	73.55	56.58	42.96	33.05	50,000	[1] 5,192	−10.38	83.93
186	100,000	180,040	258,094	7,483	133,371	140,854	54.57	117,240	258.09	143.35	117.24	65.12	25,000	[1] 159	−.64	258.73
187	147,306	166,050	28,583	1,536	2,975	4,511	15.78	24,072	19.40	17.21	16.34	14.50	100,000	18,744	18.74	.66
188	200,000	200,504	99,312	3,814	35,729	39,543	39.82	59,769	49.66	49.53	29.88	29.81	200,000	17,511	8.76	40.90
189	50,000	159,768	49,403	2,296	11,117	13,413	27.15	35,990	98.81	30.92	71.98	22.53	50,000	20,376	40.75	58.06
190	89,700	261,982	50,449	2,707	5,331	8,038	15.93	42,411	56.24	19.26	47.28	16.19	89,700	39,236	43.74	12.50
191	175,000	155,725	39,265	1,971	6,402	8,373	21,32	30,892	22.44	25.21	17.65	19.84	100,000	5,048	5.05	17.39

192	200,000	619,698	404,647	14,209	167,824	182,033	44.99	222,614	202.32	65.30	111.31	35.92	200,000	160,456	80.23	122.09
193	72,700	56,750	17,639	851	3,450	4,301	24.38	13,338	24.26	31.08	18.35	23.50	40,800	8,780	21.52	2.74
194	100,000	256,772	73,159	3,505	14,732	18,237	24.93	54,922	73.16	28.49	54.92	21.39	100,000			
195	120,000	132,861	63,210	2,476	21,914	24,390	38.59	38,820	52.68	47.58	32.35	29.22	120,000	7,432	6.19	46.49
196	498,075	445,133	104,923	5,235	17,650	22,885	21.81	82,038	21.07	23.57	16.47	18.43	500,975	[1] 3,061	−.61	21.68
197	30,000	42,883	38,256	1,252	17,379	18,631	48.70	19,625	127.52	89.21	65.42	45.76	30,000	2,883	9.61	117.91
198	200,000	427,434	340,891	11,192	154,352	165,544	48.56	175,347	170.45	79.75	87.67	41.02	200,000	106,953	53.48	116.97
199	125,500	418,781	180,116	7,273	58,891	66,164	36.73	113,952	143.52	43.01	90.80	27.21	36,950	324	.88	142.64
200	50,000	84,881	74,956	2,436	34,358	36,794	49.09	38,162	149.91	88.31	76.32	44.96	50,000	58,015	116.03	33.88
201	25,000	52,419	43,176	1,449	19,015	20,464	47.40	22,712	172.70	82.37	90.85	43.33	25,000	[1] 30,590	−122.36	295.06
202	48,000	52,244	47,348	1,543	21,644	23,186	48.97	24,162	98.64	90.63	50.34	46.25	48,000	4,244	8.84	89.80
203	240,000	321,006	195,513	6,962	79,471	86,433	44.21	109,080	81.46	60.91	45.45	33.98	240,000	77,487	32.29	49.17
204	417,690	486,500	232,833	9,067	81,692	90,759	38.98	142,074	55.74	47.86	34.01	29.20	486,500	2,785	.57	55.17
205	50,000	449,087	194,107	7,928	61,973	69,901	36.01	124,206	388.21	43.22	248.41	27.66	50,000	2,494	4.99	383.22
206	20,000	100,968	19,102	1,026	2,004	3,030	15.86	16,072	95.51	18.92	80.36	15.92	20,000	[1] 296	−1.48	96.99
207	39,325	66,221	25,469	1,171	5,957	7,128	27.99	18,341	64.77	38.46	46.64	27.70	39,325	6,107	15.53	49.24
208	5,000	15,356	84,944	2,202	48,234	50,436	59.38	34,508	1,698.88	553.16	690.15	224.72	5,000	26,456	529.12	1,169.79
209	35,450	72,911	29,489	1,251	8,636	9,887	33.53	19,602	83.18	40.44	55.29	26.88	35,350	9,591	27.13	56.05
210	25,000	108,182	37,461	1,682	9,425	11,107	29.65	26,354	149.84	34.63	105.42	24.36	25,000	5,394	21.58	128.26
211	50,000	72,099	11,491	646	722	1,368	11.90	10,123	22.98	15.94	20.25	14.04	50,000	3,201	6.40	16.58
212	10,000	10,000	5,833	276	1,219	1,495	25.63	4,338	58.33	58.33	43.38	43.38	10,000	4,306	43.06	15.27
213	50,000	50,000	7,642	448	160	608	7.96	7,034	15.28	15.28	14.07	14.07	50,000	[1] 7,055	−14.11	29.39
214	1,000,000	1,316,500	288,789	13,821	58,424	72,245	25.02	216,544	28.88	21.94	21.65	16.45	1,000,000	[1] 43,204	−4.32	33.20
215	302,500	521,221	163,451	7,509	38,292	45,801	28.02	117,650	54.03	31.36	38.89	22.57	342,500	25,956	7.58	46.45
216	10,000	49,059	20,083	865	5,657	6,522	32.48	13,561	200.83	40.94	135.61	27.64	10,000	[1] 3,106	−31.06	231.89
217	147,100	147,100	57,010	2,428	16,542	18,970	33.27	38,040	38.76	38.76	25.86	25.86	147,100	35,736	24.29	14.47
218	5,000	5,000	5,354	249	1,202	1,451	27.10	3,903	107.08	107.08	78.06	78.06	5,000	17,733	354.66	
219	40,000	41,800	104,109	2,837	56,820	59,657	57.30	44,452	260.27	249.06	111.13	106.34	40,000	28,257	70.64	189.63
220	5,000	14,228	43,755	1,219	23,750	24,969	57.07	18,786	875.10	307.25	375.72	132.03	5,000	6,105	122.10	753.00
221	100,000	165,358	179,908	5,544	87,501	93,045	51.72	86,863	179.91	108.79	86.86	52.53	100,000	67,454	67.45	112.46
222	5,000	6,553	29,039	823	15,309	16,132	55.55	12,907	580.78	443.14	258.14	196.96	10,000	13,715	137.15	443.63
223	128,800	234,484	167,961	5,727	72,507	78,234	46.58	89,727	130.40	71.63	69.66	38.27	128,800	87,576	67.99	62.41
224	100,000	179,844	125,877	4,309	54,064	58,373	46.37	67,504	125.88	69.99	67.50	37.53	100,000	93,075	93.08	32.80
225	59,300	187,324	83,191	3,336	27,585	30,921	37.17	52,270	140.29	44.41	88.14	27.90	63,400	24,398	38.48	101.81
226	25,000	25,000	23,699	787	10,557	11,344	47.86	12,355	94.79	94.79	49.42	49.42	10,200	2,793	27.38	67.41
227	100,000	57,222	32,137	1,189	12,309	13,498	41.99	18,639	32.14	56.16	18.64	32.57	10,000	[1] 572	−5.72	37.86
228		87,100	66,800	2,246	29,376	31,622	47.34	35,178		76.70		40.39	10,000	16,812	168.12	
229	10,000	126,064	69,607	2,583	26,541	29,124	41.84	40,483	696.07	55.21	404.83	32.11	10,000	6,304	63.04	633.03
230	323,500	706,343	191,611	9,347	35,828	45,175	23.57	146,436	59.23	27.10	45.26	20.73	238,450	72,357	30.34	28.89
231	150,000	217,037	108,412	4,174	38,837	43,011	39.67	65,401	72.27	49.92	43.60	30.13	150,000	49,153	32.76	39.51
232	80,000	194,853	271,944	7,512	146,731	154,243	56.71	117,701	339.93	139.56	147.12	60.40	80,000	37,162	46.45	293.48
233	3,900	3,900	4,207	219	537	756	17.97	3,451	107.87	107.87	88.48	88.48	2,400	1,678	69.92	37.95
234	12,000	83,301	62,816	2,127	27,360	29,487	46.94	33,329	523.46	75.41	277.74	40.00	12,000	24,371	203.09	320.37
235	2,500	42,377	7,630	433	396	829	10.87	6,801	305.20	18.00	272.04	16.05	2,500	2,133	85.32	219.88
236	75,000	302,614	214,434	7,362	91,746	99,108	46.22	115,326	285.90	70.85	153.76	38.10		101,665		
237	300,000	467,402	269,558	9,814	105,981	115,795	42.96	153,763	89.85	57.67	51.25	32.90	300,000	54,384	18.13	71.72
238	120,000	120,720	95,115	31,731	42,224	73,955	77.55	21,160	79.26	78.79	17.63	17.53	60,000	34,593	57.66	21.60
239	25,000	25,000	37,949	1,123	19,219	20,342	53.60	17,607	151.80	151.80	70.43	70.43	25,000	[1] 6,825	−27.30	179.10
240	50,000	56,896	15,825	785	2,738	3,523	22.26	12,302	31.65	27.81	24.60	21.62	50,000	[1] 14,243	−28.89	60.14
241	60,000	224,569	60,951	2,997	10,996	13,993	22.96	46,958	101.59	27.14	78.26	20.91	60,000	36,950	61.58	40.01
242	200,000	235,962	232,655	7,290	111,149	118,439	50.91	114,216	116.33	98.60	57.11	48.40	200,000	96,831	48.42	67.91

[1] Loss.

Not in business in 1916.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

MINING: COAL, BITUMINOUS AND LIGNITE, APPALACHIAN—Continued

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax, to capital stock, 1917	Percent of net income, after deducting tax, to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE MI-1B																
243	$100,000	$33,753	$36,267	$1,148	$17,145	$18,293	50.44	$17,974	36.20	107.45	17.97	53.25	$27,800	[1] $3,194	−11.49	47.76
244	99,600	99,600	149,150	4,309	77,336	81,645	54.74	67,505	149.90	149.90	67.78	67.78	99,600	44,627	44.81	105.09
245	100,000	287,788	101,435	4,473	26,878	31,351	30.90	70,084	101.44	35.25	70.08	24.35	100,000	1,473	1.47	99.97
246	200,000	785,454	279,072	12,200	75,730	87,930	31.51	191,142	139.59	35.53	95.57	24.34	110,000	69,263	62.97	76.62
247	5,000	89,686	21,785	1,119	3,123	4,242	19.47	17,543	435.70	24.29	350.86	19.56	5,000	1,759	35.18	400.52
248	40,000	525,824	211,487	8,771	65,296	74,067	35.02	137,420	528.72	40.22	343.55	26.13	40,000	14,076	35.19	493.53
249	5,000	19,588	41,408	1,177	21,787	22,964	55.46	18,444	828.16	211.39	368.88	94.16	5,000	13,939	278.78	549.38
250	249,200	318,066	541,722	15,327	286,265	301,592	55.67	240,130	217.38	170.32	96.36	75.50	244,200	100,550	41.16	176.22
251	150,000	344,211	120,907	5,333	32,015	37,348	30.89	83,559	80.60	35.13	55.71	24.28	150,000	54,406	36.27	44.33
252	50,000	113,929	70,185	2,513	28,295	30,808	43.90	39,377	140.37	61.60	78.75	34.56	50,000	33,048	66.10	74.27
253	58,000	224,530	360,328	10,300	188,653	198,953	55.21	161,375	621.26	160.48	278.23	71.87	58,000	65,037	112.13	509.13
254	50,000	100,407	51,262	1,965	18,510	20,475	39.91	30,787	102.52	51.05	61.57	30.66	----------	2,789	----------	----------
255	60,000	61,415	51,663	1,710	23,151	24,861	48.12	26,802	86.11	84.12	44.67	43.64	150,000	57,652	38.43	47.68
256	110,000	134,577	39,595	1,358	[2] 2,556	3,914	9.89	35,681	36.00	29.42	32.44	26.51	10,000	[1] 599	−5.99	41.99
257	50,000	160,172	24,441	1,335	1,967	3,302	13.51	21,139	48.88	15.26	42.28	13.20	50,000	297	.59	48.29
258	496,900	693,107	325,371	11,882	137,327	149,209	45.86	176,162	65.48	46.94	35.45	25.42	496,900	154,032	31.00	34.48
259	----------	47,881	9,280	515	690	1,205	12.98	8,075	----------	19.38	----------	16.86	37,400	10,481	28.00	----------
260	352,500	664,752	116,431	5,253	[3] 10,341	15,594	13.39	100,837	33.03	17.51	28.61	15.17	352,500	7,815	2.22	30.81
261	300,000	244,644	133,485	4,972	50,623	55,595	41.65	77,890	44.50	54.56	25.96	31.84	150,000	41,505	27.67	16.83
262	10,000	86,125	59,724	2,079	25,071	27,150	45.46	32,574	597.24	69.35	325.74	37.82	10,000	19,180	191.80	405.44
263	18,900	18,900	54,766	1,489	29,937	31,426	57.38	23,340	289.77	289.77	123.49	123.49	500	27,463	5,492.60	----------
264	1,000,000	1,006,058	631,844	12,443	257,779	270,222	42.77	361,622	63.18	62.76	36.16	35.93	1,000,000	189,842	18.98	44.20
265	75,000	171,455	292,821	8,298	154,518	162,816	55.60	130,005	390.43	170.79	173.34	75.83	75,000	90,769	121.03	269.40
266	36,000	273,613	144,148	5,465	53,055	58,520	40.60	85,628	400.41	52.68	237.86	31.29	36,000	1,047	2.91	397.50
267	10,000	23,430	79,657	2,122	44,260	46,382	58.23	33,275	796.57	339.98	332.75	142.02	10,000	11,638	116.38	680.19
268	80,000	98,724	97,424	3,085	46,008	49,093	50.39	48,331	121.78	98.68	60.41	48.96	100,000	71,058	71.06	50.72
269	5,000	166,960	69,667	3,221	15,975	19,196	27.56	50,471	1,393.34	41.71	1,009.42	30.23	50,000	32,563	65.13	328.21
270	166,000	202,462	184,545	5,923	85,821	91,744	49.71	92,801	111.17	91.15	55.90	45.84	----------	18,332	----------	----------
271	42,100	66,845	27,983	1,172	8,435	9,607	34.33	18,376	66.47	41.86	43.65	27.49	42,100	2,281	5.42	61.05

272	105,903	134,765	211,588	6,068	110,450	116,518	55.07	95,070	199.79	157.01	89.77	70.55	39,500	44,119	111.69	88.10
273	960,000	1,232,030	424,738	18,804	111,327	130,131	30.64	294,607	44.24	34.47	30.69	23.91	960,000	115,163	12.00	32.24
274	25,000	46,337	45,248	1,450	21,081	22,531	49.79	22,717	180.99	97.65	90.87	49.03	25,000	13,330	53.32	127.67
275	88,500	154,850	113,234	3,831	49,378	53,209	46.99	60,025	127.95	73.12	67.82	38.76	88,500	16,153	18.25	109.70
276	74,250	119,673	27,500	1,406	4,058	5,464	19.87	22,036	37.04	22.98	29.68	18.41	74,250	1,145	1.54	35.50
277	16,150	1,000	3,152	186	49	235	7.46	2,917	19.52	315.20	18.06	291.70	16,130	[1] 14,859	−92.12	111.64
278	25,000	36,013	8,867	481	823	1,304	14.71	7,563	35.47	24.62	30.25	21.00	25,000	12,747	50.99	
279	100,000	100,000	18,461	1,019	1,465	2,484	13.46	15,977	18.46	18.46	15.98	15.98	100,000	[1] 6,035	−6.04	24.50
280	1,800	177,095	47,128	2,297	8,835	11,132	23.62	35,996	2,618.22	26.61	1,999.77	20.33	1,800	26,295	1,460.83	1,157.39
281	25,000	25,000	9,783	447	2,319	2,766	28.28	7,016	39.13	39.13	28.06	28.06	25,000	39,500	158.00	
282	150,000	203,307	101,786	3,942	36,075	40,017	39.31	61,769	67.86	50.07	41.18	30.38	150,000	5,531	3.69	64.17
283	2,600	2,725	3,496	199	167	366	10.47	3,130	134.46	128.29	120.38	114.86	3,850	3,633	94.36	40.10
284	100,000	134,591	34,865	1,739	5,870	7,609	21.82	27,256	34.87	25.90	27.26	20.25	100,000	52,606	52.61	
285	50,000	204,808	130,333	4,589	53,842	58,431	44.83	71,902	260.67	63.64	143.80	435.11	50,000	3,829	7.66	253.01
286	50,000	53,253	34,718	1,256	13,773	15,029	43.29	19,689	69.44	65.19	39.38	36.97	20,000	3,253	16.27	53.17
287	179,200	179,200	42,275	2,130	6,759	8,889	21.03	33,386	23.59	23.59	18.63	18.63	178,550	[1] 1,779	−1.00	24.59
288	60,000	60,000	28,808	1,145	9,725	10,870	37.73	17,938	48.01	48.01	29.90	29.90	60,000	7,152	11.92	36.09
289	30,000	197,081	128,724	4,497	53,773	58,270	45.27	70,454	429.08	65.32	234.85	35.75	30,000	60,260	200.87	228.21
290	200,000	301,362	322,162	9,936	156,484	166,420	51.66	155,742	161.08	106.90	77.87	51.68	200,000	97,752	48.88	112.20
291	175,600	166,533	122,222	4,146	53,112	57,258	46.85	64,964	69.60	73.39	37.00	39.01	148,200	39,659	26.76	42.84
292	40,000	67,578	45,067	1,604	18,331	19,935	44.23	25,132	112.67	66.69	62.83	37.19	40,000	27,345	68.36	44.31
293	65,000	113,215	136,236	4,539	60,285	64,824	47.50	71,412	209.59	120.33	109.86	63.08	65,000	17,967	27.64	181.95
294	50,000	74,834	40,287	1,523	14,891	16,414	40.74	23,873	80.57	53.84	47.75	31.90	36,000	12,408	34.47	46.10
295		9,610	9,610	544	528	1,072	11.16	8,538		100.00		88.84	12,000	884	7.37	
296	10,000	179,231	167,156	5,338	78,186	83,524	49.97	83,632	1,671.56	93.26	836.32	46.66	10,000	137,394	1,373.94	297.62
297	10,000	10,428	4,242	235	307	542	12.78	3,700	42.42	40.68	37.00	35.48	10,000	1,740	17.40	25.02
298	150,000	234,838	244,126	7,585	117,695	125,280	51.31	118,846	162.75	103.95	79.23	50.61	150,000	41,186	27.46	135.29
299	47,600	65,611	43,500	1,536	17,889	19,425	44.66	24,075	91.39	66.30	50.58	36.69	47,600	63,489	133.38	
300	3,000	23,444	7,092	366	976	1,342	18.92	5,750	236.40	30.25	191.67	24.53	3,000	441	14.70	221.70
301	200,000	156,511	224,394	6,509	115,568	122,077	54.40	102,317	112.20	143.37	51.16	65.37	90,267	31,616	35.02	77.18
302	100,000	153,767	144,306	4,606	67,531	72,137	49.99	72,169	144.31	93.85	72.17	46.93	100,000	61,044	61.04	83.27
303	50,000	34,695	16,818	660	[4] 5,794	6,454	38.37	10,364	33.64	48.47	20.73	29.87	50,000	272	.54	33.10
304	100,000	375,342	281,510	9,493	123,265	132,758	47.16	148,752	281.51	75.00	148.75	39.63	100,000	80,620	80.62	200.89
305	200,000	356,083	213,367	7,720	84,690	92,410	43.31	120,957	106.68	59.92	60.48	33.97	200,000	73,046	36.52	70.16
306	100,000	113,727	42,994	1,873	11,776	13,649	31.75	29,345	42.99	37.80	29.35	25.80	74,950	11,089	14.80	28.19
307	60,000	134,242	151,818	5,799	55,987	61,736	40.66	90,082	253.03	113.09	150.14	67.10	60,000	20,079	33.47	219.56
308	12,000	261,459	132,128	5,058	47,824	52,882	40.02	79,246	1,101.07	50.53	660.38	30.31	12,000	67,792	564.93	536.14
309	50,000	56,546	50,610	1,657	22,980	24,637	48.68	25,973	101.22	89.50	51.95	45.93	25,000	13,542	54.17	47.05

[1] Loss.

[2] 5 months.

[3] 9 months.

[4] 6 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Mi-1b

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Midvale Goshen Coal Co	Cleveland, Ohio	23750065	97. Yolande Coal & Coke Co	Birmingham, Ala	61751188
2. The James Bros. Coal Co	Magnolia, Ohio	23752525	98. Benoit Coal Mining Co	Birmingham, Ala	61750081
3. Johnston City & Big Muddy Coal & Min. Co	Chicago, Ill	26753223	99. Red Eagle Coal Co	Birmingham, Ala	61750454
4. Carbon Mining Co	Carbon (Clay Co.), Ind	25750068	100. Mabel Mining Co	Warrior, Ala	61750372
5. Abend Coal Co	Belleville, Ill	29750017	101. Lathrop Coal Co	Welch, W. Va	19750658
6. Golden Rule Coal Co	Lenzburg, Ill	29750200	102. Howard Colliery Co	Chattaroy, W. Va	19750952
7. Highland Coal Co	Belleville, Ill	29750470	103. Lilly Brook Coal Co	Lillybrook, W. Va	19750980
8. Banner Fork Coal Co	Pineville, Ky	54750069	104. La Salle County Carbon Coal Co	La Salle, Ill	36751374
9. Fairbury Miners Co. Operative Coal Co	Fairbury, Ill	28750880	105. Boynton Coal Co., Inc	Elk Lick, Pa	15751025
10. Boomer Coal and Coke Co	Cleveland, Ohio	23752023	106. Providence Coal Mining Co	Providence, Ky	50750163
11. Balkan Coal Co	Phila., Pa	12751350	107. Little Cahaba Coal Co	Piper, Ala	61750346
12. Crozer Coal & Coke Co	Philadelphia, Pa	12750475	108. War Eagle Coal Co	War Eagle, W. Va	19751231
13. Coal & Washer Corp	Bristol, Va	18750204	109. Peabody Coal Co	Chicago, Ill	26750202
14. Mill Creek Coal & Coke Co	Coppers, W. Va	19750675	110. Draper Coal & Coke Co	Huntington, W. Va	19750914
15. Miller Coal Co	Phila., Pa	12750402	111. Blocton Cahaba Coal Co	Coleanor, Ala	61750106
16. Alpha Pocahontas Coal Co., Inc	Alpoca, W. Va	18750142	112. The Cleveland-Belmont Co	Cleveland, Ohio	23752062
17. Coal Creek Mining Co	Galesburg, Ill	27750112	113. The Akron Coal Co	Akron, Ohio	23752578
18. The Oakley Coal & Feed Co	Cinn., Ohio	20750952	114. Copen Creek Coal Co	Cleveland, Ohio	23752369
19. Wyoming Coal Co	Tams., W. Va	19751238	115. Columbia Colliers Co	Belleville, Ill	29750085
20. The James Mullins Coal Co	Wooster, Ohio	23750538	116. Empire Coal Mining Co	Philadelphia, Pa	12750540
21. Grant Coal Co	Lexington, Ky	53750101	117. The S. J. Patterson Pocahontas Co	Dayton, Ohio	20750537
22. The Meeker Run Coal Co	Nelsonville, Ohio	22750787	118. The Faulkner Coal Co	Omaha, Nebr	29750427
23. Ohio Valley Fluorspar Co	N. Y., N. Y	2752405	119. Meadow River Services Coal Co	Sevy, W. Va	19750410
24. Brilliant Coal Co	Birmingham, Ala	61750953	120. Higgons-Martin Coal Co	Terra Haute, Ind	25750699
25. Glen White Coal & Lumber Co	Baltimore, Md	16750512	121. Gilmer Fuel Co	Cincinnati, Ohio	20750728
26. Ephraim Creek Coal & Coke Co	N. Y., N. Y	2751891	122. Wineland Gilmore Coal Co	Uniontown, Pa	15752670
27. Leeper Coal Co	Providence, Ky	50750120	123. Columbus Mining Co	Chicago, Ill	26750346
28. Utica Fire & Sand Co	Ottawa, Ill	26751947	124. Otter Creek Coal Co	Brazil, Ind	25750461
29. The Butts Carrnel Coal Co	Cleveland, Ohio	23751881	125. The Big Vein Coal Co	Cleveland, Ohio	23752335
30. Gorman Coal & Coke Co	Baltimore, Md	16750653	126. Haddon Coal Co	Leechburg, Pa	15751104
31. Knox Coal Mining Co	Chicago, Ill	26753033	127. East Pratt Coal Co	Birmingham, Ala	61751097
32. Scandia Coal Co	Chicago, Ill	26750134	128. Oakman Mining Co	Oakman, Ala	61750414
33. Harvey Coal Co	Clarion, Pa	15750143	129. Indian Run Coal Co	Charleston, W. Va	19750959
34. Old Ben Mining Co	Chicago, Ill	26750721	130. Lanark Coal Co	Lewisburg, W. Va	19751164
35. Hastings Coal & Coke Co	Kenport, Pa	15750825	131. Westmorland-Connellsville Coal & Coke Co	Pittsburgh, Pa	15752322
36. Rail & River Coal Co	Cleveland, Ohio	23751795	132. Union-Connellsville Coke Co	Uniontown, Pa	15751516
37. Forge Coal Mining Co	Phila., Pa	12752512	133. Illinois Commercial & Mining Co	Joliet, Ill	26752800
38. East Lehigh Colliery Co	Tamaqua, Pa	12750216	134. Unity-Connelsville Coke Co	Latrobe, Pa	15752509
39. Robert E. Smith Co	Providence, R. I	8751546	135. The American Coal Co. of Allegany County	New York, N. Y	2752115
40. Bowman Coal Mining Co	Saltsburg, Pa	15751023	136. North American Coal Co	New York, N. Y	2750076
41. Uniontown Coal & Mining Co	Uniontown, Ky	50750195	137. Coalburg-Kanawha Mining Co	Coalburg, W. Va	19750575
42. Black Diamond Coal Mining Co	Drakesboro, Ky	50750026	138. Wenona Coal Co	Wenona, Ill	27750442
43. Hillside Coal Co	Greenville, Ky	50750097	139. The Elk Rem Coal Co	Salem, Ohio	23751888

44. Howard Junior Coal Co	Chattarey, W. Va	19750951	140. Old Ben Coal Corp	Chicago, Ill	26754203
45. Champion Connellsville Coke Co	Uniontown, Pa	15752848	141. Allegheny Coal & Coke Co	Brackenridge, Pa	15752436
46. Taylor and McCoy Coal and Coke Co	Baltimore, Md	16750970	142. Lee Coal Co	Glen Jean, W. Va	19750395
47. Burrell Coal Co	Tarentum, Pa	15751837	143. Ryan Coal Co	Fairmont, W. Va	19751200
48. Emory Run Coal Co	Cumberland, Md	16750511	144. H. H. Smith & Co., Inc	Philadelphia, Pa	12751957
49. Diamond Coal Co	Providence, Ky	50750061	145. Victoria Coal Co	Earlington, Ky	50750198
50. Pembertown Fuel Co	Pemberton, W. Va	19750459	146. St. Bernard Mining Co	Earlington, Ky	50750184
51. Kentucky Jewel Coal Co	Hazard, Ky	54750127	147. Cumbola Coal Co	Pottsville, Pa	12751250
52. The Pursglove-Maher Coal Co	Cleveland, Ohio	23752002	148. W. R. Johnson Coal Co	Smithers, W. Va	19750380
53. The Massillon Oak Hill Coal Co	Massillon, Ohio	23752266	149. Scott Run Coal Co	Morgantown, W. Va	19750856
54. The Alma Thacker Fuel Co	Columbus, Ohio	22750025	150. Thomas F. Taylor Son's Inc	Brooklyn, N. Y	4750001
55. The Blue Jay Coal Co	Wellston, Ohio	22750066	151. Big Vein Mining Co	Terre Haute, Ind	25750549
56. The Black Diamond Co	Columbus, Ohio	22750089	152. Wise Coal & Coke Co	Dorchester, Va	18750476
57. The Harper Coal Co	Coalton, Ohio	22750413	153. Highcliff Coal Co	Knoxville, Tenn	55751124
58. Ajax Coal Co	Fayette, W. Va	19750869	154. Connellsville Central Coke Co	Pittsburgh, Pa	15753030
59. The Morris Coal Co	Cleveland, Ohio	23750874	155. Lake Trace Coal Mining Co	Windber, Pa	15751709
60. Argyle Coal Co	Logan, W. Va	19750865	156. Coal Creek Leasing Co	Knoxville, Tenn	55751063
61. Ernest Coal Co	Johnson City, Ill	29750117	157. Bickett Coal & Coke Co	Chicago, Ill	26753669
62. Houston Coal & Coke Co	Elkhorn, W. Va	19751143	158. Lovington Coal Mining Co	Decatur, Ill	28750030
63. New Found Creek Coal Co	Birmingham, Ala	61750410	159. Peerless C. & C. Co	Vivian, W. Va	19750692
64. Braxton Pittsburg Coal Co	Fairmont, W. Va	19750888	160. Nuttallburg Smokeless Fuel Co	Charleston, W. Va	19750428
65. Central Fairmont Coal Co	Clarksburg, W. Va	19750808	161. Marsh Fork Coal Co	Mar-Fork, W. Va	19750671
66. Nelson Creek Coal Co	Nelson, Ky	50750142	162. McKell Coal & Coke Co	Glen Jean, W. Va	19750664
67. Winding Gulf Colliery Co	Winding Gulf, W. Va	19751223	163. Shamrock Coal Co	Huntington, W. Va	19751045
68. Jewell Ridge Corporation	Tazewell, Va	18600002	164. Dilltown Smokeless Coal Co	Brookville, Pa	15751358
69. Cymbria Coal Co	Philadelphia, Pa	12751351	165. Chapman Coal Co	Patton, Pa	15752588
70. The Avonmore Coal & Coke Co	Philadelphia, Pa	12751111	166. Buckeye Coal & Coke Co	Freeman, W. Va	18750166
71. Betz Coal Mining Co	Philadelphia, Pa	12751586	167. Robert Fleming & Co. Inc	Norton, Va	18751262
72. Armstrong County Coal Co	Philadelphia, Pa	12752247	168. Century Coke Co	Uniontown, Pa	15752592
73. Clyde Coal Co	Pittsburgh, Pa	15750560	169. Litz-Smith Island Creek Coal Co	Huntington, W. Va	19750975
74. Christian Colliery Co	Mahon, W. Va	19750280	170. S. M. Hamilton Coal Co	Baltimore, Md	16750627
75. Hills Creek Mining Co	West Blocton, Ala	61750301	171. Hazard Coal Co	Lexington, Ky	53750105
76. Climax Coal Co	Philadelphia, Pa	12751759	172. Interstate Mining Co	Terre Haute, Ind	25750830
77. Glen Alum Coal Co	Glen Alum, W. Va	19751130	173. Slab Fork Coal Co	Slab Fork, W. Va	19751552
78. Coil Coal Co	Madisonville, Ky	50750037	174. Buffalo Eagle Colliery Co	Braeholm, W. Va	19750556
79. Richland Block Coal Co	Wheeling, W. Va	19750849	175. Queen Coal Mining Co	Jasonville, Ind	25750737
80. Miama Coal Co	Charleston, W. Va	19750992	176. Diamond Block Coal Co	Drakesboro, Ky	50750057
81. North Pratt Coal Co	Adamsville, Ala	61751223	177. Cherry Run Fuel Co	Rimersburg, Pa	15752586
82. Nickel Plate Coal Co	Jasper, Ala	61751225	178. Craig Gould Coal Co	Brisbin, Pa	15752539
83. Crabtree Coal Co	Ilsley, Ky	50750053	179. Virginian Smokeless Fuel Co	Mullens, W. Va	19750766
84. Rothwell Coal Co	Dubree, W. Va	19750727	180. Chesapeake Mining Co	Handley, W. Va	19751519
85. Buck Ridge Coal Mining Co	New York, N. Y	2752364	181. Burnwell Coal & Coke Co	Bramwell, W. Va	19750563
86. Bunker Hill Coal Co	Freelandsville, Ind	25750119	182. Stitch Coal Co	America, Ala	61751114
87. Big Four Coal Co	Boonville, Ind	25750850	183. The Massillon City Coal Co	Massillon, Ohio	23750781
88. The J. A. Esser Coke Co	Esserville, Va	18750256	184. The Cliff Coal Co	Portsmouth, Ohio	22750249
89. Gleason Coal & Coke Co	Frostburg, Md	16750964	185. The J. B. Jenkins Coal & Coke Co	Buffalo, N. Y	19751148
90. Nats Creek Mining Co., Inc	Ashland, Ky	53750150	186. South Fork Coal Mining Co	Philadelphia, Pa	12750826
91. The Diamond Coal Co	Albuquerque, N. Mex	43750314	187. The Indian Hill Coal Co	Cleveland, Ohio	23750921
92. The Schick Co-operative Coal Co	Bellaire, Ohio	23750496	188. Branch Coal & Coke Co	Charleston, W. Va	19750881
93. Reliance Coke Co	Pittsburgh, Pa	15752194	189. The Steubenville Coal & Mining Co	Steubenville, Ohio	23750341
94. Westmoreland Gas Coal Co	Pittsburgh, Pa	15751342	190. Lower Vein Coal Co	Terra Haute, Ind	25750723
95. Monitor Coal & Coke Co	Wilkinson, W. Va	19750409	191. Miller Pocahontas Coal Co	Mullens, W. Va	19750670
96. Fairview Fluorspar & Lead Co	Fairview Landing, Ill	29750122	192. New Alexandria Coke Co	Greenburg, Pa	15751498

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE M1-1b—Continued

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
193. Sunlight Mining Co	Jasper, Ala	61750518	252. Moshannon Coal Mining Co	Osceola Mills, Pa	15750900
194. W. A. Wickliffe Coal Co	Greeneville, Ky	50750209	253. Elkhorn Coal & Coke Co	Maybeury, W. Va	19751478
195. The Roby-Somers Coal Co	Cleveland, Ohio	23751335	254. Tazewell Coal Co	Pekin, Ill	28750475
196. The Stillwater Coal Mining Co	Cleveland, Ohio	23750629	255. Willis Branch Coal Co	Glen Jean, W. Va	19751241
197. The Reeves Coal Co	New Philadelphia, Ohio	23750819	256. R. C. Tway Coal Co	Louisville, Ky	51750116
198. The Morris Poston Coal Co	Cleveland, Ohio	23750852	257. Lehigh Coal Co	Lehigh, Ala	61750338
199. The Barton Coal Co	Cleveland, Ohio	23751740	258. The Glens Run Coal Co	Cleveland, Ohio	23752035
200. Golden Ash Coal Co	Williamsburg, Ky	54750104	259. T. C. Bugg Coal Co	Oakland City, Ind	25750220
201. Pine Run Co	Leechburg, Pa	15751154	260. The Otto Marmet Coal & Mining Co	Raymond City, W. Va	19751370
202. Royal Coal Co	St. Benedict, Pa	15751544	261. McGregor Coal Co	Charleston, W. Va	19750682
203. Panther Run Coal Co	Pardus, Pa	15752628	262. The Northern Mining & Fuel Co	Nelsonville, Ohio	22750840
204. Poland Coal Co	Pittsburgh, Pa	15752079	263. Burrows Coal Co	Clarksburg, W. Va	19750252
205. Tecumseh Coal & Mining Co	Tecumseh, Ind	25750822	264. Turkey Gap Coal & Coke Co	Dott, W. Va	19750056
206. Sargeant Coal Co	Newburgh, Ind	25750756	265. Bailey Wood Coal Co	Glen Jean, W. Va	19751327
207. Sugar Valley Coal Co	Terre Haute, Ind	25750775	266. The Star Coal & Coke Co	Red Star, W. Va	19751446
208. Potter, Rigler & Potter Co	Clearfield, Pa	15750513	267. The Hocking Domestic Coal Co	Nelsonville, Ohio	22750419
209. Rich Mountain Coal Co	Bennett, Tenn	55750903	268. West Virginia Pocahontas Coal Co	New York, N. Y	19751227
210. Block Coal & Coke Co	Knoxville, Tenn	55705918	269. Modern Coal Mining Co	Columbus, Ohio	22750785
211. Tennessee-Jellicoe Coal Co	Knoxville, Tenn	55750977	270. The Pan-American Coal Co	Zanesville, Ohio	22750935
212. Evans Jellico Coal Co	Jellico, Tenn	55751080	271. The Mohawk Coal Co	Wellston, Ohio	22750811
213. Conger Coal Co	Chattanooga, Tenn	55750925	272. Francois Coal & Coke Co	Clarksburg, W. Va	19750624
214. Thacker Coal & Coke Co	Elkhorn, W. Va	19751221	273. Elk River Coal & Lumber Co	Dundon, W. Va	19750617
215. Superior Pocahontas Coal Co	Davy, W. Va	19751203	274. Horse Creek Block Coal Co	Columbus, Ohio	22750430
216. The Jean Coal Mining Co	Cleveland, Ohio	23752350	275. The York Clay & Mining Co	Nelsonville, Ohio	22750709
217. The Kennon Coal & Mining Co	Cleveland, Ohio	23752176	276. Park County Coal Co	Rosedale, Ind	25750304
218. Princeton Coal Co	Princeton, Ind	25750305	277. Caledonia Mining Co	New Albany, Ind	25750667
219. Falls Creek Coal Co	Lock Haven, Pa	14750578	278. Ritchey Coal Co	Pinckneyville, Ill	29750328
220. Huntingdon Coal Co	Huntingdon, Pa	13750082	279. West Penn. Coal Mining Co	Philadelphia, Pa	12752574
221. Stineman & Coal Mining Co	Philadelphia, Pa	12751115	280. Du. Shan Coal Mining Co., Inc	Osceola Mills, Penna	15750570
222. The J. E. Long Coal Mining Co	Clarksburg, W. Va	19750659	281. Connellsville Mutual Coke Co	Scottdale, Penn	15752775
223. The Piney Fork Coal Co	Columbus, Ohio	22750950	282. Shawnee Coal & Coke Co	Eckman, W. Va	19751206
224. Quemahoning Creek Coal Co	Somerset, Pa	15751179	283. Pleasant Valley Coal Mining Co	Clarksburg, W. Va	19750444
225. Puritan Coal Co	Cambridge, Ohio	22750925	284. Wood Sullivan Coal Co	Tralee, W. Va	19751555
226. Jackson Coal Mining Co	Expedit, Pa	15751979	285. Williamson Coal & Coke Co	Williamson, W. Va	19751559
227. Thompson Block Coal Co	Charleston, W. Va	19750504	286. Central Coal Co	Charleston, W. Va	19751664
228. Smithfield Coal & Coke Co	Smithfield, Pa	15751849	287. The Scranton & Big Muddy Coal Mining Co	Marion, Ill	29750338
229. The Barnes Coal & Mining Co	Coshocton, Ohio	22750078	288. Stone Cliff Coal & Coke Co	Charleston, W. Va	19750733
230. The Maynard Coal Co	Columbus, Ohio	22750828	289. Scalp Level Coal Mining Co	Windber, Pa	15752158
231. West Clinton Coal Co	Terre Haute, Ind	25750761	290. Greenbrier Coal & Coke Co	McDowell, W. Va	19751126
232. Saxman Coal & Coke Co	Latrobe, Pa	15751857	291. Abrams Creek Coal & Coke Co	Fairmont, W. Va	19750222
233. Hibberd & Snedden Coal Co	Peoria, Ill	27750377	292. South Side Company	Caperton, W. Va	19751507
234. Warsaw Coal Co	Edwards, Ill	27750229	293. Paragon Collieries Co	Huntington, W. Va	19750714
235. Mapleton Coal Co	Mapleton, Ill	27750176	294. Black Mountain Mining Co	Big Stone Gap, Va	18750155

236. Gatliff Coal Co	Williamsburg, Ky	54750103	295. Daisy Red Ash Coal Company	Richlands, Va	18750114
237. The Potter Coal & Coke Co	Greensburg, Pa	15750207	296. Bell-Zoller Mining Co	Chicago, Ill	26753310
238. Mead Pocahontas Coal Co	Tralee, W. Va	19751501	297. The Murray City Coal Company	Columbus, Ohio	22750559
239. Churchill Mining Co	Leechburg, Pa	15751038	298. Red Jacket, Jr., Coal Company	Red Jacket, W. Va	19750726
240. Beaver Coal & Coke Co	Wampum, Pa	15752421	299. Orr Coal Mining	Wilsonburg, W. Va	19750688
241. Prospect Coal & Coke Co	Uniontown, Pa	15752088	300. Elberfeld Cooperative Coal Co	Elberfeld, Ind	25750679
242. Delmont Gas Coal Co	Greensburg, Pa	15750219	301. Procter Coal Company	Amherstdale, W. Va	19751544
243. Diamond Smokeless Coal Co	Johnstown, Pa	15752027	302. Kington Coal Company	Mortons Gap, Ky	50750115
244. Echard Coal & Coke Co	Connellsville, Pa	15752010	303. Clarion Coal Mining Co	Philadelphia, Pa	12751995
245. Acme Gas Coal Co	Greensburg, Pa	15752798	304. Algoma Coal & Coke Co	Algoma, W. Va	19750230
246. Atlantic Crushed Coke Co	Greensburg, Pa	15752426	305. Aracoma Coal Company	Logan, W. Va	19750226
247. Joffa Coal Mining Co	Brisbin, Pa	15751897	306. Amigo Coal Co	Amigo, W. Va	19750224
248. Genuine Connellsville Coke Co	Uniontown, Pa	15752844	307. Sugar Creek Coal & Coke Co	Mt. Hope, W. Va	19750753
249. Grass Flat Coal Co	St. Benedict, Pa	15751542	308. Harlan Gas Coal Co	Harlan, Ky	30750927
250. Greensburg Connellsville Coal & Coke Co	Pittsburgh, Pa	15751562	309. Guyan River Coal Co	Branchland, W. Va	19751428
251. Marion Gas Coal Co	Greensburg, Pa	15751512			

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

MINING: COAL (MIDCONTINENT)

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917			Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916 (16)
				Income tax (4)	Excess-profits tax (5)	Total tax (6)										
CODE M1-1c																
1	$10,000	$15,005	$5,938	$336	$322	$658	11.08	$5,280	59.38	39.57	52.80	35.19	$10,000	$3,306	33.06	26.32
2	7,500	7,500	3,853	229	35	264	6.85	3,589	51.37	51.37	47.85	47.85	7,500	4,831	64.41	----------
3	9,000	27,236	15,780	606	5,667	6,273	39.75	9,507	175.33	56.51	105.63	34.91	9,000	17,487	194.30	----------
4	100,000	130,572	29,159	1,561	3,142	4,703	16.13	24,456	29.16	22.33	24.46	18.73	100,000	9,565	9.57	19.59
5	100,000	166,432	40,449	2,067	5,984	8,051	19.90	32,398	40.45	24.30	32.40	19.47	----------	19,782	----------	----------
6	12,000	35,000	14,352	629	3,853	4,482	31.23	9,870	119.60	41.01	82.25	28.20	12,000	1,101	9.18	110.42
7	50,000	47,224	14,530	703	2,798	3,501	24.09	11,029	29.06	30.77	22.06	23.35	25,000	6,638	26.55	2.51
8	16,900	43,496	27,221	1,003	10,494	11,497	42.24	15,724	161.07	62.58	93.04	36.15	16,900	4,398	26.02	135.05
9	200,000	141,720	43,368	2,032	9,491	11,523	26.57	31,845	21.68	30.60	15.92	22.47	200,000	1,142	.57	21.11
10	30,000	43,754	7,943	461	251	712	8.96	7,231	26.48	18.15	24.10	16.53	30,000	5,256	17.52	8.96
11	100,000	127,060	54,582	2,230	17,410	19,640	35.98	34,942	54.58	42.96	34.94	27.50	100,000	7,761	7.76	46.82
12	946,000	994,257	509,192	19,176	189,581	208,757	41.00	300,435	53.83	51.21	31.76	30.22	(1)	(1)	(1)	(1)
13	100,000	133,944	90,478	3,139	38,149	41,288	45.63	49,190	90.48	67.55	49.19	36.72	100,000	[2] 17,433	−17.43	107.91
14	200,000	246,940	59,788	2,982	10,077	13,059	21.84	46,729	29.89	24.21	23.36	18.92	200,000	25,654	12.83	17.06
15	28,000	150,000	116,145	3,867	51,687	55,554	47.83	60,591	414.80	77.43	216.40	40.39	28,000	13,078	46.71	368.09
16	50,000	106,866	42,792	1,819	12,465	14,284	33.38	28,508	85.58	40.04	57.02	26.68	50,000	11,490	22.88	62.70
17	50,000	92,000	18,012	964	1,925	2,889	16.04	15,123	36.02	19.58	30.25	16.44	47,300	10,278	21.73	14.29
18	28,500	51,250	10,198	573	642	1,215	11.91	8,983	35.78	19.89	31.52	17.53	28,500	13,938	48.91	----------
19	75,000	87,074	37,351	1,548	11,535	13,083	35.03	24,268	49.80	15.03	32.36	27.87	61,250	15,108	24.67	25.13
20	30,195	32,554	9,155	468	1,335	1,803	19.69	7,352	30.32	28.12	24.35	22.58	20,000	2,359	11.80	18.52
21	2,000	2,000	3,829	204	413	617	16.11	3,212	191.45	191.45	160.60	160.60	2,000	[2] 1,628	−81.40	272.85
22	200,000	250,705	41,218	2,214	4,314	6,528	15.84	34,690	20.61	16.44	17.35	13.84	200,000	41,466	20.73	----------
23	8,000	11,745	3,442	200	103	303	8.80	3,139	43.03	29.31	39.24	26.72	8,000	320	4.00	39.03
24	12,000	193,710	71,038	3,093	19,478	22,571	31.77	48,467	591.98	36.67	403.89	25.02	12,000	48,679	405.66	186.32
25	7,000	664,256	100,224	5,402	10,174	15,576	15.54	84,648	1,431.77	15.09	1,209.26	12.74	7,000	38,065	543.79	887.98
26	15,000	206,727	204,285	5,869	106,464	112,333	54.99	91,952	1,361.90	98.82	613.01	44.48	15,000	61,178	407.85	954.05
27	42,000	25,568	11,094	486	2,978	3,464	31.22	7,630	26.41	43.39	18.17	29.84	40,000	----------	----------	----------
28	43,000	43,000	14,610	674	3,372	4,046	27.69	10,564	33.98	33.98	24.57	24.57	43,000	5,269	12.25	21.73
29	14,200	20,200	6,382	333	822	1,155	18.10	5,227	44.94	31.59	36.81	25.88	14,200	1,749	12.32	32.62
30	40,000	86,859	27,890	1,313	6,000	7,313	26.22	20,577	69.71	32.11	51.44	23.69	40,000	11,081	27.70	42.01

31	2,000	2,000	3,250	191	66	257	7.91	2,993	162.50	162.50	149.61	149.61	2,000	1,067	53.35	109.15
32	10,000	6,643	6,486	280	1,812	2,092	32.25	4,394	64.86	97.62	43.94	66.13	10,000	1,215	12.15	52.71
33	72,000	77,647	15,990	852	1,774	2,626	16.42	13,364	22.21	20.59	18.56	17.21	74,000			
34	52,311		8,091	467	298	765	9.45	7,326	15.47		14.00		30,000	3,157	10.52	4.95
35	50,000	71,200	26,761	1,190	6,912	8,102	30.27	18,659	53.52	37.57	37.31	26.20	50,000	2,364	4.73	48.79
36	200,000	387,458	106,290	5,089	21,464	26,553	24.98	79,737	53.14	27.43	39.87	20.58	200,000	90,207	45.10	8.04
37	20,000	753,012	153,454	7,986	20,353	28,339	18.46	125,115	767.27	20.37	625.57	16.61	20,000			
38	40,000	208,135	37,695	2,050	3,516	5,566	14.77	32,129	94.23	18.10	80.32	15.43	40,000	55,663	139.15	
39	20,000	24,705	12,190	564	2,784	3,348	27.46	8,842	60.95	49.34	44.21	35.79	20,000	7,896	39.48	21.47
40	100,000	100,000	17,623	982	1,255	2,237	12.69	15,386	17.62	17.62	15.39	15.39	100,000			
41	100,000	126,356	32,412	1,609	5,582	7,191	22.15	25,221	32.41	25.65	25.22	19.97	100,000	6,376	6.38	26.03
42	40,000	40,000	29,265	1,028	12,129	13,157	44.95	16,108	73.16	73.16	40.27	40.27	40,000	[2] 848	−2.12	75.28
43	2,000,000	2,943,380	471,528	25,758	42,225	67,983	14.40	403,545	23.58	16.02	20.18	13.71	2,000,000	262,092	13.10	10.48
44	8,500	21,963	5,619	134	[3] 1,137	1,271	22.62	4,348	66.11	25.58	51.15	19.79	8,500	13,738	161.62	
45	140,000	140,000	473,211	12,367	267,087	279,454	59.05	193,757	338.00	338.00	138.39	138.39	140,000	63,331	45.24	292.76
46	2,500	23,863	4,341	260		260	5.99	4,081	173.64	18.19	163.24	17.10	2,500	4,607	184.28	
47	55,000	49,530	11,521	608	1,376	1,984	17.18	9,537	20.94	23.26	17.34	19.25	55,000	2,212	4.02	16.92
48		40,000	19,968	835	6,051	6,886	34.48	13,082		49.92		32.70	10,000	31,554	315.55	
49	715,575	715,575	142,007	7,349	19,516	26,865	18.92	115,142	19.85	19.85	16.09	16.09	715,575	47,687	6.66	13.19
50		3,434	5,644	252	1,422	1,674	29.66	3,970		164.36		115.61	600			
51	10,000	99,541	15,337	866	895	1,761	11.48	13,576	153.37	15.41	135.76	13.64	10,000	5,669	56.69	96.68
52	25,000	25,000	8,460	406	1,526	1,932	22.83	6,528	33.84	33.84	26.11	26.11	5,000	13,652	273.04	
53	100,000	110,659	30,309	1,477	5,680	7,157	23.61	23,152	30.31	27.38	23.15	20.92	100,000	5,246	5.25	25.06
54	10,000	101,079	42,175	1,776	12,575	14,351	34.00	27,824	421.75	41.73	278.24	27.52	10,000	14,502	145.02	276.73
55	6,000	6,000	5,832	265	1,411	1,676	28.73	4,156	97.20	97.20	69.26	69.26	1,700	1,203	70.76	26.44

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[1] Not in business in 1916.

[2] Loss.

[3] 3 months.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Mi-1e

Name of corporation	City and State	Serial number
1. Vogel Coal & Mfg. Co	Rockdale, Texas	44750207
2. Belt Line Coal & Mfg. Co	Richmond, Mo	37751146
3. New State Coal Co	Tulsa, Okla	64750959
4. The Turner Coal Co	Walsenburg, Colo	42750375
5. The Union Coal & Coke Co	Denver, Colo	42750906
6. Wallis-McKinney Coal Co	Altus, Ark	63750015
7. St. Louis Coal Co	St. Louis, Mo	36750960
8. Newton Coal & Mining Co	Dennison, Ohio	23750291
9. Huerfano Coal Co	Denver, Colo	42750823
10. Trenton Mining Co	Trenton, Mo	37751897
11. Forester Coal & Coke Co	Du Quoin, Ill	29750190
12. Southern Coal, Coke & Mining Co	St. Louis, Mo	36731409
13. Williamson County Coal Co	St. Louis, Mo	36751292
14. Eastern Coal & Mining Co	Wilburton, Okla	64750499
15. Ednar Coal Co	Belleville, Ill	29750112
16. The Spencer Newlands Coal Co	Pittsburg, Kans	38751408
17. Gallup Southwestern Coal Co	Gallup, N. Mex	43750351
18. Reliance Coal Co	Clinton, Mo	31751850
19. Alko-Nah Coal Mining Co	Kansas City	37751209
20. Appanoose Coal & Fuel Co	Mystic, Iowa	35751437
21. North Star Coal Co	Kansas City, Mo	37750479
22. Degnan & McConnell Coal & Coke Co	Wilburton, Okla	64750497
23. Arkansas Valley Coal, Gas & Oil Co	Tulsa, Okla	64750761
24. Prairie Block Coal Co	Centerville, Iowa	35751206
25. Lumaghi Coal Co	St. Louis, Mo	36750684
26. Prairie Coal Co	St. Louis, Mo	36750887
27. McAlester Colling Co	McAlester, Okla	64750652
28. Peerless Coal Co	Mystic, Iowa	35750770
29. Scandinavian Coal Co	Centerville, Iowa	35750900
30. The Arcadia Coal Mining Co	Arcadia, Kans	37750640
31. Sivedish Coal Co	Mindenmines, Mo	37751116
32. Beck Coal & Mining Co	Des Moines, Iowa	35750863
33. Ray Country Coal Co	Richmond, Mo	37750631
34. Diamond Black Coal Co	Mystic, Iowa	35750965
35. The Martin Black Coal Co	Centerville, Iowa	35751100
36. The Pittsburg & Midway Coal Mining Co	Pittsburg, Kans	38751440
37. The Blue Mound Mining Co	Baxter Springs, Kans	38751443
38. Hocking Coal Co	Hocking, Iowa	35750626
39. Swanwood Coal Co	Des Moines, Iowa	35751549
40. The Clemens Coal & Mercantile Co	Pittsburg, Kans	38751536
41. Anderson Coal Co	Des Moines, Iowa	35751436
42. Hoover Fuel Co	Lakonta, Iowa	35750632
43. Pleasant Valley Coal Co	Salt Lake City, Utah	41751439
44. Clairfield Jellico Coal Co	Clairfield, Tenn	55750219
45. Sonman Shaft Coal Co	Minersville, Pa	12752395
46. High Five Mining Co	Miami, Okla	64751201
47. Walton Coal Co	Higbee, Mo	36751315
48. Denning Coal Co	Denning, Ark	63750064
49. Spring Canyon Coal Co	Salt Lake City, Utah	41751463
50. Conroy Coal Co	Hartford, Ark	63750063
51. Sherwood Lester Coal Co	Liberal, Mo	37750850
52. Smokeless Anthracite Coal Co	Spadra, Ark	63750857
53. St. Louis-Galveston Coal & Mining Co	Lehigh, Okla	64750197
54. Heaps Coal Co	Boone, Iowa	35750615
55. Grand Coal Co	Paris, Ark	63750036

MINING: GAS, NATURAL

Symbol	Capital stock, 1917	Invested capital, 1917	Net income, 1917	Tax, 1917			Percent of total tax to net income, 1917	Net income, after deducting tax, 1917	Percent of net income to capital stock, 1917	Percent of net income to invested capital, 1917	Percent of net income, after deducting tax to capital stock, 1917	Percent of net income, after deducting tax to invested capital, 1917	Capital stock, 1916	Net income, 1916	Percent of net income to capital stock, 1916	Excess of the percent of net income to capital stock for 1917 above the percentage for 1916
				Income tax	Excess-profits tax	Total tax										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
CODE Mi-5																
1	$50, 000	$122, 261	$27, 397	$1, 437	$3, 426	$4, 863	17. 75	$22, 534	54. 79	22. 41	45. 07	18. 43	$100, 000	----------	----------	----------
2	26, 715	31, 828	5, 930	435	178	523	8. 82	5, 407	22. 20	18. 63	20. 24	16. 99	26, 650	$85	0. 32	21. 88
3	2, 000, 000	2, 271, 963	527, 505	26, 811	80, 652	107, 463	20. 37	420, 042	26. 38	23. 22	21. 00	18. 49	2, 000, 000	314, 932	15. 75	10. 63
4	10, 000	45, 424	7, 273	400	[1] 221	621	8. 54	6, 652	72. 73	16. 01	66. 52	14. 64	10, 000	20, 654	206. 54	----------
5	30, 000	30, 000	6, 740	384	334	718	10. 65	6, 022	22. 47	22. 47	20. 07	20. 07	30, 000	12, 344	41. 15	----------
6	250, 000	250, 000	47, 913	2, 532	5, 702	8, 234	17. 19	39, 679	19. 17	19. 17	15. 87	15. 87	250, 000	27, 893	11. 16	8. 01
7	100, 000	38, 980	7, 832	438	519	957	12. 22	6, 875	7. 83	20. 09	6. 88	17. 64	100, 000	[2] 341	—. 34	8. 17
8	12, 375	20, 715	4, 158	249	--------	249	5. 99	3, 909	33. 60	20. 07	31. 59	18. 87	12, 375	1, 408	11. 38	22. 22
9	20, 000	20, 000	3, 954	237	--------	237	5. 99	3, 717	19. 77	19. 77	18. 59	18. 59	20, 000	994	4. 97	14. 80
10	10, 000	18, 000	6, 583	331	1, 054	1, 385	21. 04	5, 198	65. 83	36. 57	51. 98	28. 88	6, 400	11, 532	180. 19	----------
11	15, 000	15, 934	5, 327	294	412	706	13. 25	4, 621	35. 51	33. 43	30. 81	29. 00	15, 000	3, 785	25. 23	10. 28
12	25, 000	46, 911	7, 487	438	169	607	8. 11	6, 880	29. 95	15. 96	27. 52	14. 67	25, 000	65, 366	261. 46	----------
13	97, 800	475, 565	322, 507	11, 200	135, 836	147, 036	45. 59	175, 471	329. 76	67. 82	179. 41	36. 90	97, 800	41, 544	45. 55	284. 21
14	11,000,000	11,794,018	2, 032, 313	109, 423	205, 616	315, 039	15. 50	1, 717, 274	18. 48	17. 23	15. 61	14. 56	11,000,000	2, 001, 653	18. 20	. 28
15	20,0000,00	24,073,449	5, 959, 543	291, 795	872, 312	164, 107	19. 53	4, 795, 436	29. 80	24. 76	23. 98	19. 92	20,000,000	6, 336, 831	31. 68	----------
16	1, 000, 000	1, 151, 510	224, 098	11, 881	26, 060	37, 941	16. 93	186, 157	22. 41	19. 46	18. 62	16. 17	1, 000, 000	56, 738	5. 67	16. 74
17	20, 000	197, 404	18, 699	1, 121	--------	1, 121	5. 99	17, 578	93. 50	9. 47	87. 89	8. 90	20, 000	26, 185	130. 93	----------
18	2, 000	40, 000	3, 636	218	--------	218	6. 00	3, 418	181. 80	9. 09	170. 90	8. 55	2, 000	677	33. 90	147. 90

[1] 11 months.

[2] Loss.

Corporate earnings for 1917 and 1916, with ratios of net income to capital—Continued

CODE Mi-5

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. Reservation Gas Company	Salamanca, N. Y.	7750175	10. The Edge Gas Co	West Park, Ohio	23751338
2. Citizens Gas Company	Monongahela, Pa	15752582	11. The Citizens Gas Co. of Kane, Pa	Kane, Pa	15752583
3. The Natural Gas Company of West Virginia	Pittsburgh, Pa	15751738	12. Flink Hills Oil & Gas Co	Wichita, Kans	38750144
4. Smelter Gas Company	Bartlesville, Okla	64730002	13. The Edward H. Everett Co	Newark, Ohio	22750300
5. Hyde Carbon Black Co	Ridgway, Pa	15750835	14. The Peoples Natural Gas Co	Pittsburgh, Pa	15752762
6. Jefferson County Gas Co	Warren, Pa	15751896	15. Hope Natural Gas Co	Pittsburgh, Pa	15752777
7. Bemseytown Gas Co	Pittsburgh, Pa	15750758	16. Clarksburg Light & Heat Co	Clarksburg, W. Va	19751390
8. Norwich Oil and Gas Co	Mount Jewett, Pa	15750637	17. Mountain Gas Co	Kane, Pa	15752359
9. Thompson Ely Co	Ridgway, Pa	15750089	18. Monarch Gas Co	Winchester, Ind	24750108

MINING: IRON ORES (LAKE SUPERIOR REGION)

Symbol	Capital stock, 1917 (1)	Invested capital, 1917 (2)	Net income, 1917 (3)	Tax, 1917: Income tax (4)	Tax, 1917: Excess profits tax (5)	Tax, 1917: Total tax (6)	Percent of total tax to net income, 1917 (7)	Net income, after deducting tax, 1917 (8)	Percent of net income to capital stock, 1917 (9)	Percent of net income to invested capital, 1917 (10)	Percent of net income, after deducting tax to capital stock, 1917 (11)	Percent of net income, after deducting tax to invested capital, 1917 (12)	Capital stock, 1916 (13)	Net income, 1916 (14)	Percent of net income to capital stock, 1916 (15)	Excess of the per cent of net income to capital stock for 1917 above the percentage for 1916 (16)
CODE Mi-9A.																
1	$20,000	$174,903	$23,157	$1,315	$1,233	$2,548	11.00	$20,609	115.79	13.24	103.05	11.84	$20,000	$3,557	17.78	98.01
2	12,000	12,000	8,144	337	2,510	2,847	34.96	5,297	67.87	67.87	44.14	44.14	12,000			
3	12,000	975,140	279,977	13,283	58,592	71,875	25.67	208,102	2,333.14	28.71	1,734.18	21.34	12.000	84,936	707.80	1,625.34
4	200,000	200,000	101,140	3,879	36,484	40,363	39.91	60,777	50.57	50.57	30.39	30.39	200.000	28,365	14.18	36.39
5	10,000	14,319	6,714	391	196	587	8.74	6,127	67.14	46.87	61.27	42.79	10,000	2,425	24.25	42.89
6	1,000,000	1,052,906	181,424	9,558	22,118	31,776	17.51	149,648	18.14	17.23	14.96	14.21	1,000,000	[1] 46,107	−4.62	22.76
7	15,000	99,010	17,516	963	1,452	2,415	13.79	15,101	116.77	17.69	100.67	15.25	15,000	92,565	617.10	
8	300,000	769,226	809,652	24,880	394,973	419,853	51.85	389,799	269.88	105.26	129.93	50.67	300,000	542,047	180.68	89.20
9	50,000	35,000	7,906	436	634	1,070	13.53	6,836	15.81	22.59	13.67	19.53	50,000	6,524	13.05	2.76
10	57,945	107,945	73,734	2,569	30,903	33,472	45.39	40,262	127.25	68.30	69.48	37.30	49,675	[1] 66	−13.00	127.38
11	50,000	62,575	19,067	921	3,694	4,615	24.20	14,452	38.13	30.47	28.90	23.09	25,000	6,120	24.48	13.65

12	25,000	16,635	3,841	230	--------	230	5.98	3,611	15.36	23.08	14.44	21.70	25,000	[1] 1.202	−4.81	20.17
13	160,000	223,730	46,607	2,426	6,163	8,589	18.44	38,018	29.13	20.83	23.76	16.99	160,000	24,966	15.60	13.53
14	20,000	20,000	10,564	401	3,868	4,269	40.41	6,295	52.82	52.82	31.48	31.48	20,000	13,521	67.61	----------
15	10,000	50,600	8,597	494	360	854	9.93	7,743	85.97	16.99	77.43	15.30	10,000	36.732	367.32	----------
16	6,000	10,000	5,537	269	1,042	1,311	23.68	4,226	92.28	55.37	70.43	42.26	3,000	19,621	654.03	----------
17	25,000	1,197,428	115,828	6,745	3,406	10,151	8.76	105,677	463.31	9.67	422.71	8.82	25,000	104,487	417.95	45.36
18	30,000	60,812	63,366	1,980	30,365	32,345	51.04	31,021	211.22	104.20	103.40	51.01	30,000	158,189	527.27	----------

[1] Loss.

CODE Mi-9a

Name of corporation	City and State	Serial number	Name of corporation	City and State	Serial number
1. The Block House Mining Co	Platteville, Wis	33750867	10. Tar Creek Mining Co	Joplin, Mo	37751068
2. Blatchley Milling & Mining Co	Fort Scott, Kans	38750036	11. Evans Hall Lay Mining Co	Joplin, Mo	37750470
3. O. M. Bilharz Mining Co	Miami, Okla	64751819	12. Marjory Stewart Mining Co	Joplin, Mo	37751573
4. Bethel Lead & Zinc Mining Co	Tulsa, Okla	64750680	13. St. Louis-Joplin Lead & Zinc Co	Joplin, Mo	37751371
5. Diplomat Mining Co	Galena, Kans	38750703	14. Century Zinc Co	Platteville, Wis	33750274
6. Underwriters Land Co	Picher, Okla	37750499	15. Consumers Mining Co	Joplin, Mo	37751451
7. Hurry Up Mining Co	Webb City, Mo	37750823	16. Ruby Fern Milling & Mining Co	Joplin, Mo	37751652
8. Embree Iron Co	New York, N. Y	2752262	17. Welsh Mining Co	Miami, Okla	64751912
9. Fifth Street Mining Co	Joplin, Mo	37750600	18. The Burr Mining Co	Connersville, Ind	24750356

Exhibit No. 1117

[File 90]

Wilmington, Delaware,
December 13, 1917.

Memorandum

INVESTIGATIONS AND SECURING SITES FOR SMOKELESS-POWDER PLANTS BY E. I. DU PONT DE NEMOURS AND COMPANY IN THE INTERESTS OF THE UNITED STATES GOVERNMENT

Diplomatic relations between the United States and Germany being broken on February 3, 1917, and we, realizing the powder situation in the United States and the advisability of locating a new powder plant to comply with the rulings of the War College, started our engineers on February 7th collecting data on stream flow and study of topographical maps for a smokeless-powder plant location to comply with the rulings of the War College since none of our plants complied with these rulings.

On April 21, at our request, a letter was obtained from General Crozier of the Ordnance Department, which was in the nature of a passport for our engineers to visit water intakes and structures that were under guard from alien enemies.

On April 25 two of our locating engineers were sent from the Wilmington office to the field.

Between April 25th and July 12th these engineers covered Tennessee, parts of Alabama, Kentucky, Illinois, Indiana, West Virginia, and the southwestern part of Virginia in search of suitable locations for smokeless-powder plants.

July 12th to 28th was spent in working up data collected by the field engineers and making a report on same.

July 28th to August 3rd, two engineers were in the field reconsidering locations and a definite recommendation was made for the selection of the Charleston site.

You are familiar with the work done by Col. Buckner during approximately this entire time in endeavoring to bring the serious situation regarding lack of powder manufacturing capacity before the proper authorities in Washington, this we understand being finally accomplished about the 1st of October. At this time we have ready for the Government consideration twelve suitable sites for smokeless-powder plant locations.

On October 4th we started to option the property.

On October 5th this optioning was stopped on account of the high prices of land.

October 22d to 28th, one of our engineers, in company with Col. J. C. Nichols of the Ordnance Department, visited the various sites and obtained the approval of the Ordnance Department, through Col. Nichols, of two of the sites selected by us, with a third, smaller in area, as a possibility.

On October 23rd our real estate department resumed optioning the Charleston site.

On October 31st we started surveys of that portion of site under option.

On November 13th sufficient of topographical map was received from the field to make paper location of plant.

November 24th, options completed.

November 19th to 24th, options closed, covering 1,390 acres of land at a price of $382,250. Prior to that date, 2,529½ acres of land at a price of $235,000 had been optioned on Nashville site.

At this writing the topographical map of Charleston site is completed, and paper location has been finished in this office.

Since November 24th (the day we acquired the land) we have been ready to start active construction work in the field.

H. M. Pierce, *Chief Engineer.*

Exhibit No. 1118

E. I. du Pont de Nemours & Company,
Wilmington, Dela., March 22, 1917.

Executive offices.

Honorable Newton D. Baker,
Secretary of War, Washington, D. C.

Dear Sir: I submit herewith some data with respect to production of military explosives and raw materials, which I believe will be of interest to your department.

If additional information is desired, please so indicate to me and I shall be glad to supplement the enclosed data.

Copy of this information is being forwarded to the Secretary of the Navy.

I request that the information contained herein be considered strictly confidential.

Very truly yours,

E. I. du Pont de Nemours & Company.
S Pierre S. du Pont, *President.*

MILITARY SMOKELESS POWDERS

Our orders with the Entente Allies are sufficient to run our factories at their full rated capacity of 27,500,000 pounds per month until September 15, 1917. However, the contracts do not make necessary the production of more than 98.5 percent of this amount, so that there is available beyond contract requirements capacity amounting to 400,000 pounds per month. In addition to this we are building additions to plant which should give additional production of 2,300,000 pounds per month beginning with June next. Further, under favorable conditions we can probably make 3,000,000 pounds per month above our rated capacity. (By rated capacity we mean the production that is practically certain and which we are willing to sell under contract for specific delivery, above which we have the margin indicated which can be produced under favorable circumstances but which we do not believe we are warranted in selling for specific delivery.)

The actual production of our factories for the past four months has been: November 1916, 27,900,000 lbs.; December 1916, 28,050,000 lbs.; January 1917. 30,850,000 lbs.; February 1917, 26,850,000 lbs.

(March, estimated, 30,500,000 to 31,000,000 lbs.

NITRATE OF SODA

E. I. du Pont de Nemours & Company purchases nitrate of soda for the Hercules Powder Company and the Atlas Powder Company under the court dissolution decision. In giving statistics it is convenient to make statements of the total purchases for the three companies. The situation on March 1st, 1917, was as follows:

On hand:	*Tons*
Hopewell, Virginia	45,227
Carneys Point, N. J	1,219
Repauno, N. J	4,615
Barksdale, Wis	5,260
Misc. commercial explosives factories in United States	37,017
Total at du Pont plants only	93,338
Hercules Company	18,979
Atlas Company	16,902
	35,881
Grand total on hand all companies	129,219

In addition we have purchased in Chile, South America, for the three companies and have arranged transportation, so that there will be on hand on the first of each month, the following:

Apr. 1, 1917	110, 855	Sept. 1, 1917	90, 065
May 1, 1917	112, 765	Oct. 1, 1917	76, 465
June 1, 1917	106 765	Nov. 1, 1917	63, 465
July 1, 1917	100, 865	Dec. 1, 1917	50, 565
Aug. 1, 1917	102, 965	Jan. 1, 1918	53, 865

We have ocean-tonnage capacity under time charter sufficient to keep us with stocks of 110,000 tons on hand each month all through the year and we could, unless something unusual happens in Chile, purchase the balance of soda required.

In our judgment the users of nitrate in this country, other than the above, have about three months' supply on hand and have contracts for delivery in this country for the balance of the year. This would mean that these other users have all-told probably 100,000 tons on hand and 33,000 tons contracted for monthly.

COTTON

Purified cotton at:	*Lbs.*
Hopewell, Virginia	3, 893, 640
Carneys Point, N. J	1, 465, 704
Haskell, N. J	763, 417
Parlin, N. J	496, 650
Storage	4, 654, 672
	11, 274, 083
Crude cotton expressed as equivalent of purified cotton:	
Hopewell, Virginia	31, 700, 000
Carneys Point, N. J	1, 452, 500
	33, 152, 500
Total cotton on hand, March 1st, 1917	44, 426, 580

We also have contracts which will give us available the first of each month, in terms of purified cotton:

	Lbs.		*Lbs.*
April	40, 656, 120	August	25, 574, 280
May	36, 885, 660	September	21, 803, 820
June	33, 115, 200	October	21, 901, 360
July	29, 344, 740		

Estimated monthly consumption as basis for above, 23,071,600.

ALCOHOL

At a factory located at Georgetown, South Carolina, our company manufactures 2,000 gallons only per day of ethyl alcohol from wood waste. However, we have outside contracts covering the full requirements of our smokeless-powder factories until August 1st, 1917. We now have on hand and en-route to factories (3/1/17):

Carneys Point, New Jersey	12, 213, 860
Parlin, New Jersey	3, 010, 989
Haskell, New Jersey	1, 925, 808

We have contracts which will give us on hand the first of each month the following quantities:

	Pounds		Pounds
March	17, 150, 657	July	23, 015, 419
April	18, 772, 105	August	14, 128, 857
May	16, 772, 543	September	1, 212, 295
June	19, 893, 981		

These figures are based on using 13,878,562 lbs. of alcohol per month and show that on present contracts we will be practically out of alcohol September 1, 1917.

ETHER

We have ether factories at our smokeless powder plants as shown below. The factories are divided into seven separate units and produce from alcohol all ether requirements for military powder capacity. Their productive capacity includes the ether returned from solvent recovery of powder manufacture. In addition to this we have capacity for the manufacture of 70,000 pounds per month of ether for anesthetic purposes.

Capacities for output of ether, pounds per month

Carney's Point, N. J.:	
No. 1	4, 000, 000
No. 2	6, 500, 000
No. 3	4, 400, 000
Haskell, N. J.:	
A	1, 000, 000
B	1, 800, 000
Parlin, N. J.:	
No. 1	1, 800, 000
No. 2	2, 600, 000
Total pounds per month including the reworking of recovered solvent	22, 100, 000

(This total is a safe figure and could be augmented if necessity arose).

TRINITROTOLUOL

Our factories can produce 3,000,000 pounds of crude trinitrotoluol, melting point 760° per month; from this we can refine by crystalization 825,000 pounds per month melting point 80°. Our greatest three-months' production of trinitrotoluol was in the months of:

76°	*Pounds*
September 1916	3, 235, 145
October 1916	3, 440, 725
November 1916	2, 855, 137

The largest production of refined was:

80°	*Pounds*
September 1916	556, 900
October 1916	301, 870
November 1916	455, 400
December 1916	580, 130

DIPHENYLAMINE

We have at our factory at Repauno, New Jersey, capacity to manufacture monthly 200,000 pounds (sufficient to produce our entire rated output of military smokeless powders with a surplus of 45,000 pounds monthly). The raw material for this manufacture is benzol, of which sufficient quantity is obtainable in the United States.

Stocks on hand March 1, 1917 (pounds)

Carneys Point, New Jersey	103, 056
Parlin, New Jersey	89, 844
Haskell, New Jersey	38, 006
Repauno, New Jersey	53, 881
	284, 787

Forecast of future production (pounds)

Month	Can make—	Have use for—	Excess
March	200, 000	158, 000	42, 000
April	200, 000	158, 000	42, 000
May	165, 000	158, 000	7, 000
June	224, 000	158, 000	66, 000
July	224, 000	158, 000	66, 000

SULPHUR

(For the manufacture of sulphuric acid)

All of this sulphur is in the form of brimstone brought from Freeport Sulphur Company, Freeport, Texas; Union Sulphur Company, Sulphur Mines, Louisiana; Yellowstone Sulphur Company, Cody, Wyoming.

We have at the sulphuric-acid factories of military powder plants the following amounts:

	Pounds
Hopewell, March 1st	28, 167, 303
Carneys Point, March 1st	588, 299
Total	28, 755, 602

In addition there is at commercial sulphuric-acid plants a total of 8,668,358 pounds.

We also have at our black-powder factories scattered throughout the country, 3,373,919 and 12,042,277 pounds; total, 40,797,879 pounds.

We have contracts for 25,251,520 pounds monthly over the entire year from March 1st, 1917.

CHARCOAL

We have two charcoal factories in Michigan, one near Bay City, the other near Greyling (Crawford County). Their production is all that will be necessary for military requirements. In addition, manufacture of charcoal could be readily started at other points should demands require.

TOLUOL

(For the manufacture of trinitrotoluol)

We have on hand and due on contracts 929,000 gallons. Our supplies are generally purchased against orders which are now at a minimum. If we are to be called upon for trinitrotoluol, steps should be taken immediately to secure a proper supply of toluol. The production of the country is sufficient to take care of the needs of the United States.

GLYCERINE

(For the production of nitroglycerine and dynamite)

Since the beginning of the European war the United States has relied nearly entirely upon domestic production of this article. Glycerine for large quantities of dynamite manufactured for commercial purposes has been drawn from this source, so that no difficulty should arise from lack of glycerine supply unless the Government should require for military purposes explosives other than those in present use.

Exhibit No. 1118–A

MINUTES OF MEETING OF THE GENERAL MUNITIONS BOARD, HELD WEDNESLAY, APRIL 11, 1917, AT 8 : 15 A. M., MUNSEY BUILDING

There were present Colonel Dunn, Major Pierce, Paymaster Hancock, Mr. Summers, Mr. Eiseman, Mr. Rosenwald, Mr. Scott, Mr. Bolton, secretary. Mr. Scott presided.

Report on conference with powder manufacturers.—Mr. Scott advised the board that a conference had been held yesterday with the Du Pont powder people, in which meeting a possible shortage of powder was mentioned and that further data on this subject was being compiled by the Du Pont people and would be submitted by them at an early date.

The meeting adjourned at 9:15 a. m.

Chester C. Bolton, *Secretary.*

Exhibit No. 1119

MINUTES OF MEETING OF GENERAL MUNITIONS BOARD HELD MONDAY, APRIL 16, 1917, AT 8 :15 A. M., MUNSEY BUILDING

There were present: Mr. Scott, Colonel Blunt, Colonel Dunn, Major Pierce, Paymaster Hancock, Mr. Summers, Mr. Rosenwald, and Mr. Bingham, Assistant Secretary. Mr. Scott in the chair.

Explosives.—The chairman reported that a conference had been held yesterday with Colonel Dunn and representatives of the Du Pont Powder Company, at which it was decided that the facilities of the Aetna Explosive Company would probably not be needed.

Major Pierce suggested that, due to the location of the Aetna Explosive Company's plants, it might be advisable to keep them in operation.

Colonel Dunn and Mr. Summers were appointed a committee to look into this matter further.

The meeting adjourned at 10 o'clock a. m.

W. W. Bingham,
Assistant Secretary.

Exhibit No. 1120

MINUTES OF MEETING OF GENERAL MUNITIONS BOARD HELD TUESDAY, APRIL 17, 1917, AT 8 : 30 A. M., IN THE MUNSEY BUILDING

There were present: Colonel H. Fisher, Dr. R. C. Holcomb, Dr. T. T. Simpson, Lt. Commander Gardner, Commander R. H. Leigh, Paymaster J. H. Hancock, Rear Admiral H. H. Rousseau, Lt. Col. W. B. Lemly, Rear Admiral W. S. Capps, Major P. E. Pierce, Capt. A. B. Barber, Gen. Thos. Cruse, Colonel Blunt, Colonel Dunn, Commander T. A. Kearney, Mr. L. McH. Howe, Mr. Julius Rosenwald, Mr. F. A. Scott, Mr. C. C. Bolton, secretary, Mr. Bernard Baruch, Mr. L. L. Summers, representing the Raw Materials Committee. Mr. Scott presided.

Conference with Du Pont Powder People.—Mr. Summers presented a verbal report on conferences held with the representatives of the Du Pont Powder Company in connection with the advisability of continuing the Aetna Powder Company, who at present are in financial Mr. Summers reported that the Aetna people had had valuable experience in the manufacture of smokeless powder. He also spoke of the activities of the Du Pont Company in the past and their actual dealings with the Allies, advising that they were contracted up to 95% of their capacity until October 1st, and that they had a capacity of 32,000,000 pounds per month. He stated that the vital thing was to learn what the requirements of our Army were in order to ascertain the advisability of continuing the Aetna plant.

In connection with this matter Mr. Summers pointed out the very great possibility of shortage in Army requirements and estimates.

The question of having the entire powder and explosive plants in one locality under one control was discussed, and it was decided to hold this matter in abeyance until Colonel Dunn and Mr. Summers could get more information.

The meeting adjourned at 10:30 a. m.

CHESTER C. BOLTON, *Secretary.*

EXHIBIT NO. 1121

WAR DEPARTMENT, OFFICE OF THE CHIEF OF ORDNANCE,
Washington, April 21, 1917.

MR. F. A. SCOTT,
Chairman, General Munitions Board,
Council of National Defense,
Munsey Building, Washington, D. C.

DEAR SIR: 1. As the personal representative of the General Munitions Board in this particular matter, I submit the following report of the conference held in the office of the Chief of Ordnance on April 20, 1917, with companies who are manufacturers of nitrocellulose smokeless powder. These companies, with their representatives present, are named below:

E. I. du Pont de Nemours & Company, Wilmington, Del.: Colonel E. G. Buckner, vice president, Mr. C. B. Landis, Mr. H. F. Brown, Major K. K. V. Casey, and Mr. L. R. Beardslee.

Aetna Explosives Co., Inc., 120 Broadway, New York City: Colonel Odus C. Horney.

Hercules Powder Company, Wilmington, Delaware: Mr. J. T. Skelley, vice president.

Western Powder Company, Alton, Ill.: Mr. F. W. Olin.

There was also present Lieutenant Caskey, Bureau of Ordnance, Navy Department, as representative of that Department.

2. These four companies had been previously advised that the present and anticipated needs of the Ordnance Department of the Army for smokeless powder during the next twelve months amount to—

26,500,000 lbs. of caliber .30 powder, cannon powder of web thickness less than 0.05, and approximately.
42,000,000 “
10,000,000 “ Seacoast cannot powder for 6-inch guns and above.

3. The representatives of the companies were requested to state the amounts of powder that each could manufacture with existing plants, without interfering with existing orders for either the United States or for the Allies, and furnished the following information:

Caliber .30 powder

	Air dried	Water dried
E. I. du Pont de Nemours & Co.		1,500,000 lb. per month May 1 to Oct. 1: 3,175,000 lb. per month commencing Oct. 1.
Aetna Explosives Co.	30,000 lb.[1]	30,000 lb. per month beginning in two months.
Hercules Powder Co.	50,000 lb.	200,000 lb. per month beginning at once.
Western Cartridge Co.	200,000 lb. per month, beginning in four months or earlier.	

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[1] The representative of the Aetna Explosives Company stated that with slight modifications the capacity for air-dried powder (caliber .30) could be increased from 30,000 to 60,000 lb. per month.

Cannon powder, web thickness less than 0.05

	Air dried	Water dried
E. I. du Pont de Nemours & Co		1,650,000 lb. in June, 3,350,000 in July, 2,220,000 in Aug., 1,600,000 in Sept., 1,350,000 in Oct., 23,000,000. in November, and each succeeding month.
Aetna Explosives Co		1,500,000 lb. beginning in 5 months.
Hercules Powder Co		1,000,000 lb. beginning January 1918.
Western Cartridge Co	No capacity	No capacity.

Seacoast cannon powder for 6-inch and larger cannon

	Air dried
Western Cartridge Co	No capacity
Hercules Powder Co	Do.
Aetna Explosives Co	200,000 lb. per month, beginning in five months

E. I. du Pont de Nemours & Co. submitted a schedule under which the entire requirements of the Army could be completed by January 1918, and the entire Navy requirements within the time indicated by the representative of the Bureau of Ordnance, Navy Department, as desirable.

4. The representatives of the various companies were requested to state the minimum price at which they would agree to furnish this powder, delivered f. o. b. the contractor's works, the prices to be exclusive of the cost of the containers which may or may not be furnished by the Government. Colonel Horney stated he had noticed in the papers that the Aetna Explosives Company had been placed in the hands of the receivers, and that he was, therefore, unable to submit a flat price; he withdrew from the conference. The representatives of the other companies submitted slips upon which were written their flat prices, which were then made public.

The Du Pont Company is willing to furnish caliber .30 powder, water dried, at 60¢ per pound; cannon powder, water dried, at 47½¢ per pound, and air-dried cannon powder at 50¢ per pound.

The Hercules Powder Company is willing to furnish caliber .30 powder, water dried, at 62½¢, air dried at 65¢ a pound, and cannon powder of web thickness less than 0.05, water dried, at 47½¢, based upon present cost of raw materials and ability to procure the same.

The Western Cartridge Company is willing to furnish caliber .30 air-dried powder at 62¢ a pound, based upon last invoices covering purchases prior to this date for alcohol, soda, and sulphuric acid.

5. A general discussion of the cost of powder followed, and it was finally agreed that any company would accept an order for such of the powder as it could manufacture at the following prices per pound, f. o. b. the works of the contractor, cost exclusive of that of container:

	Water dried	Air dried
	Cents per pound	*Cents per pound*
Caliber .30 powder	60	62
Cannon powder, web thickness less than 0.05	47½	50
Seacoast cannon powder for 6-inch cannon and above		50

6. The companies were informed that it is not the present policy to urge an increase of capacity where existing free capacity is in excess of estimated requirements.

7. In November 1916, the Department placed orders for air dried cannon powder at 52¢ and 53¢ a pound, and for water dried cannon powder at 51¢ and 52¢ a pound. Orders were placed on April 10, 1917, for water dried cannon powder at 47½¢ a pound and air dried powder at 50¢ a pound. These last prices are lower than the present cost of manufacturing this powder at the Army powder factory.

8. In November 1916, the Department placed orders for caliber .30 powder at 65¢ a pound, and the prices at which the companies now offer to make this

powder are not only lower, but are less than the cost of manufacturing this powder at the Army powder factory.

9. It is, therefore, recommended that the General Munitions Board inform the Chief of Ordnance, U. S. Army, that it considers the prices enumerated in paragraph 5 fair and just, and that orders should be placed so as not to necessitate an increase in the present total capacity, unless all demands increase beyond that capacity.

10. I inclose a proposed draft of a letter to the Chief of Ordnance, U. S. Army.

/s/ JAY E. HOFFER,
Lieutenant Colonel, Ordnance Department.

1 inc.

PROPOSED DRAFT OF A LETTER TO THE CHIEF OF ORDNANCE, U. S. A.

SIR: 1. The General Munitions Board, having been verbally requested by you to determine what is a fair and just price to be paid by the Government to the manufacturers of smokeless powder required to be made for the Army during the next eighteen months, and having made what is considered a satisfactory investigation, recommends to you as fair and just the prices shown in the following table, which prices are to be exclusive of the cost of container and f. o. b. contractor's works:

	Water-dried	Air-dried
	Cents per pound	*Cents per pound*
Caliber .30 powder	60	62
Cannon powder, web thickness less than 0.05	47½	50
Seacoast cannon powder for 6-inch cannon and above		50

2. The General Munitions Board favors the contracts being so drawn as to protect both the manufacturer and the Government on the present prices of the principal raw materials that enter into the manufacture.

3. The Board recommends that the orders be so placed as not to necessitate at this time an increase in the total capacity of the United States for the manufacture of this class of material, unless such action is found necessary in view of greatly increased needs of the Entente Allies or of this Government.

APRIL 27, 1917.

SIR:

1. The General Munitions Board, having been verbally requested by you to determine what is a fair and just price to be paid by the Government to the manufacturers of smokeless powder required to be made for the Army during the next 18 months, and having made what is considered a satisfactory investigation, recommends to you as fair and just the prices shown in the following table, which prices are to be exclusive of the cost of container and f. o. b. contractor's works:

	Water dried	Air dried
	Cents per pound	*Cents per pound*
Caliber .30 powder	60	62
Cannon powder, web thickness less than 0.05	47½	50
Seacoast cannon powder for 6-inch cannon and above		50

2. The General Munitions Board favors the contracts being so drawn as to protect both the manufacturer and the Government on the present prices of the principal raw materials that enter into the manufacture.

3. The Board recommends that the orders be so placed as not to necessitate at this time an increase in the total capacity of the United States for the manu-

facture of this class of material, unless such action is found necessary in view of greatly increased needs of the Entente Allies or of this Government.

Respectfully,

——— ———.
Chairman General Munitions Board.

Brig. Genl. WILLIAM CROZIER,
Chief of Ordnance, War Department,
Washington, D. C.

EXHIBIT No. 1122

ajh/ig

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, June 30, 1917.

Mr. FRANK A. SCOTT,
Chairman General Munitions Board,
Council of National Defense,
Munsey Building, Washington, D. C.

DEAR SIR: I desire to invite attention to my letter of April 21st, 1917, and to your reply fixing the price of smokeless powder as follows:

	Water dried	Air dried
	Cents per pound	*Cents per pound*
Caliber .03 powder	60	62
Cannon powder, web thickness less than .05	47½	50
Seacoast cannon powder for 6-inch cannon and above	-----------	50

2. I have recently had a conference with the representatives of the E. I. du Pont de Nemours & Company, who have urged that the price of the caliber .30 powder manufactured after December 31st, 1917, and the price of the cannon powder manufactured after February 28, 1918, be increased 2¢ a pound to meet the increase in the price of manufacture, especially due to the increased cost of raw materials. These increased prices are less than the prices at which the powder can be manufactured at the Army powder factory at Picatinny Arsenal, and from our careful observation of the prices of raw materials, I am satisfied that the increased price after the dates indicated is fair and just, as compared with the prices recommended in my letter of April 21st, 1917, and concurred in by the General Munitions Board.

3. I am, therefore, placing orders which obligate the Government to pay the increased prices referred to above, and in the procurement of additional quantities it may be necessary to make further concessions in price for the same causes.

Respectfully,

/s/ WM. CROZIER,
Brig. Genl., Chief of Ordnance.

EXHIBIT No. 1123

E. I. DU PONT DE NEMOURS & COMPANY

MILITARY SALES DEPARTMENT—OFFICE OF E. G. BUCKNER, VICE PRESIDENT

WILMINGTON, DEL., *July 30th, 1917.*

Mr. F. A. SCOTT,
Chairman Munitions Board, Council of National Defense,
Washington, D. C.

DEAR SIR: Having noted by the papers that you have been appointed chairman of the committee in charge of the purchase of munitions, etc., we feel it our duty to call your attention to some important facts in relation to the powder situation in this country for the United States and the Allied Governments.

The du Pont Company, as you know, has a smokeless powder capacity of approximately 31,875,000 pounds per month. We have unfilled contracts and orders as follows:

	Pounds
U. S. Army—aggregating approximately	67, 000, 000
U. S. Navy—aggregating approximately	56, 000, 000
England—aggregating approximately	160, 000, 000
France—aggregating approximately	75, 000, 000
Italy—aggregating approximately	25, 000, 000

The above contracts will require our entire manufacturing capacity up to and including the month of May 1918 and the U. S. Government contracts continue throughout the year 1918. The net result is that we now have unsold manufacturing capacity as follows:

	Pounds
June 1918	15, 590, 000
July 1918	26, 075, 000
August 1918	26, 075, 000
September 1918	26, 075, 000
October 1918	28, 875, 000
November 1918	28, 875, 000
December 1918	28, 875, 000
January 1919	29, 175, 000
February 1919	31, 875, 000

—and the succeeding months the same.

The Ordnance Department of the Army has already asked us to reserve for the Army our entire unsold capacity, and we feel confident that the Allied Governments will require large additional quantities of powder. In fact, we understand informally that the U. S. Government will require within the next twelve to fourteen months close to three hundred million pounds in addition to the capacity that we have available within that time. How this large amount of powder is going to be supplied to the United States and the Allied Governments we do not know, unless all the Allied Governments confer upon the subject and determine upon a plan of procedure which will involve the construction of increased capacity.

There are in existence a small number of competitors of the du Pont Company—we do not know whether their capacity has been sold or not—but we are inclined to believe that they probably have some unsold capacity. We do not think it will amount to a large quantity compared to the total requirements.

The only suggestion that we can make is that steps be taken at once to augment the supply of powder by building additional plants. To this end we have prepared plans by which three million pounds per month additional capacity can be provided beginning with the month of January 1918, which would require an amortization charge aggregating approximately $4,500,000.00. Beyond this we could build plants to supply an additional 10,000,000 pounds of powder per month, but this capacity could not be made available in less than 12 months' time and would require an amortization charge of something over 30¢ per pound of output upon a twelve months' contract—based upon today's cost of materials and construction work. Owing to the increase in price of various materials—labor, etc.—this expense may be considerably increased if there is any delay in starting this work.

From the foregoing you will readily see that it is quite important for the United States and the Allied Governments to at once reach some conclusion as to what amount of powder they will require and what plans should be adopted to provide the same. The English and French Governments were very much disappointed that they could not purchase a larger quantity from us for delivery up to June of next year, and in view of the estimated requirements of the U. S. Government, in addition to those of the Allies, we fear that there may be a serious disappointment in the powder supply for all the Allied Governments beyond next June unless prompt and urgent methods be taken to augment present capacity.

Very truly yours,

E. I. DuPont de Nemours & Company,
By /s/ E. G. Buckner, *Vice President.*

B/c

EXHIBIT NO. 1124

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Delaware, August ninth, 1917.

MILITARY SALES DEPARTMENT, OFFICE OF E. G. BUCKNER, VICE PRESIDENT

Powder situation.

Mr. F. A. SCOTT, *Chairman, Munitions Board, Council of Nat'l. Defense,*
Washington, D. C.

DEAR SIR: Referring to my letter of July thirtieth, in order that you may be fully posted as to the powder situation, we beg to enclose copy of our letter of August eighth to Colonel Tschekaloff of the Russian Commission in reply to his inquiry for an offering on 18,000,000 to 20,000,000 pounds of smokeless powder.

You will note that we have made the same suggestion to him as contained in our letter of July thirtieth, that it would be very desirable if representatives of all the Allied governments could confer and determine upon the best plan for supplying their powder requirements.

Yours very truly,

/s/ E. G. BUCKNER, *Vice President.*

LRB : c encl.

[Copy to: Mr. Frank A. Scott, Chairman Munitions Board, Council of National Defense, Washington, D. C.]

E. I. DU PONT DE NEMOURS & COMPANY,

Wilmington, Delaware, August eighth, 1917.

MILITARY SALES DEPARTMENT, OFFICE OF E. G. BUCKNER, VICE PRESIDENT

COLONEL A. N. TSCHEKALOFF,
Building.

DEAR SIR: Replying to your letter of August sixth, no. 1858, asking if we can accept a contract for nine thousand (9,000) to ten thousand (10,000) short tons of cannon powder to be delivered by January first, 1918, we regret exceedingly to advise you that because of large purchases made by the United States and other Allies, it will not be possible for us to submit any offering for additional powder for delivery by January first, 1918, neither will it be possible for us to manufacture any additional quantities for a considerable time thereafter, except by an arrangement to build additional facilities.

It looks to us that all of the Allies may want more powder than the present plants will be able to supply and that it would be a very desirable thing for representatives of the different governments to confer upon this situation with a view to arranging for their requirements in the most economical manner. We beg to suggest, therefore, that your commission confer with the representatives of the other Allies in regard to this situation.

We would be glad to take up the matter of building additional plants to supply the increased needs if the same is desired and if suitable arrangements can be made for the extra cost of building same, etc.

Thanking you for your inquiry and regretting that we cannot make you a definite offer at this time, we are,

Yours very truly,

LRB : c

E. I. DU PONT DE NEMOURS & COMPANY,
/s/ E. G. BUCKNER, *Vice President.*

EXHIBIT NO. 1125

[eck–ia]

WAR DEPARTMENT,
Gun Division, October 4th, 1917.

Subject: Smokeless powder.

WAR INDUSTRIES BOARD,
Council of National Defense,
Munsey Building, Washington, D. C.

GENTLEMEN: 1. I am directed by the Chief of Ordnance to acknowledge receipt of your report of the 26th instant signed by Mr. L. L. Summers.

2. It is noted that the present total orders for smokeless powder of the British Ministry of Munitions cover their requirements until the end of October 1918.

3. It is also noted that they are willing to postpone the manufacture of some 14,000,000 lbs. to be manufactured at rate of 3,500,000 lbs. from the months of November 1917 to February 1918, inclusive, to July to October 1918, inclusive.

4. Arrangements have already been made by this department with your board and the E. I. du Pont de Nemours & Company to take this quantity of 14,000,000 lbs. of powder at monthly rate of 3,500,000 lbs., beginning November of this year.

Respectfully,

/s/ JAY E. HOFFER,
Colonel, Ordance Department.

[aje/ia]

Subject: Smokeless powder.

WAR DEPARTMENT,
GUN DIVISION, OFFICE OF THE CHIEF OF ORDNANCE,
October 4, 1917.

WAR INDUSTRIES BOARD,
Council of National Defense, Munsey Building,
Washington, D. C.

GENTLEMEN: 1. I am directed by the Chief of Ordnance to inform you that the ammunition requirements of this Department, covered by money now available or requested from Congress, call for some 315,000,000 lbs. of smokeless powder to be manufactured prior to September 1st, 1918. It is also thought that monthly requirements for smokeless powder from September until January 1919 may amount to some 50,000,000 lbs. of smokeless powder. The requirements of this Department prior to January 1st, 1919, may, therefore, total some 500,000,000 lbs. of smokeless powder.

2. So far as this Department is able to determine an available capacity exists as follows:

Month	du Pont Co.	Hercules Co.	Aetna Explosive Co.	Accumulative total
Nov. '17			3,000,000	3,000,000
Dec. "			3,000,000	6,000,000
Jan. '18		1,000,000	3,000,000	10,000,000
Feb. "		1,000,000	3,000,000	14,000,000
Mar. "		1,000,000	3,000,000	18,000,000
Apr. "		1,000,000	4,000,000	23,000,000
May "		1,000,000	4,000,000	28,000,000
June "	15,590,000	1,000,000	4,000,000	48,590,000
July "	22,575,000	1,000,000	4,000,000	76,165,000
Aug. "	22,575,000	1,000,000	4,000,000	103,740,000
Sept. "	22,575,000	1,000,000	4,000,000	131,315,000
Oct. "	25,375,000	1,000,000	4,000,000	161,690,000
Nov. "	28,875.000	1,000,000	4,000,000	195,565,000
Dec. "	28,875,000	1,000,000	4,000,000	229,440,000
Totals	166,440,000	12,000,000	51,000,000	229,440,000

NOTE.—While the Aetna Explosives Company have submitted the above quantities as their possible plant capacity it is understood that they are not at present provided with an organization capable of turning out the above quantities of powder. It is also understood that of this Aetna capacity 1,500,000 lbs. are at their Drummondsville plant in Canada.

3. From the above table of capacities it is therefore seen that the requirements of this Department cannot be met with the present available capacity even though all could be utilized by this Department.

4. The Department is now prepared to place firm orders for all of the above quantity of powder.

5. Tentative arrangements were made some time ago with E. I. du Pont de Nemours & Company that they hold all of the above capacity for this Department.

6. This office is also negotiating with the Hercules Powder Company and with the Aetna Explosives Company in an effort to make definite arrangements with them to utilize their capacity.

7. Definite information is requested as to what part of the above capacities for powder can be negotiated for by this Department so that these orders can be definitely placed and arrangements made to develop the increased capacity necessary to meet the requirements.

Respectfully,

/s/ JAY E. HOFFER, *Colonel Ordnance Department.*

EXHIBIT No. 1126

[Copied from file no. G–728–323E. E–471.5–324]

E. I. DU PONT DE NEMOURS & COMPANY

MILITARY SALES DEPARTMENT, OFFICE OF E. G. BUCKNER, VICE PRESIDENT

Address reply to room 996, du Pont Bldg.

WILMINGTON, DELAWARE, *October 8, 1917.*

CHIEF OF ORDNANCE, U. S. A.,
Washington, D. C.

SIR: In accordance with your request of October 3d, we submit the following proposition to the Government:

1. Whenever the words "Du Pont Company" are used in this proposal, they shall be taken to mean either E. I. du Pont de Nemours and Company, a corporation, or a company to be organized by it for the purpose of carrying out this proposal if accepted, and wherever in this proposal the word "Government" is used, it shall be taken to mean the Government of the United States of America.

2. We understand that the Government desires the construction, as soon as possible, of complete plants for the manufacture of water-dried smokeless powder for cannon, of the capacity of approximately one million (1,000,000) pounds of powder per day of twenty-four hours, said plants to be located on two or more sites to be selected by the Du Pont Company, and to include also sulphuric and nitric acid manufacturing and recovery plants, cotton purification, gun cotton, water supply, waste disposal, power, lines of communication and transmission, store houses, freight yards with standard-gauge tracks, plants for the manufacture of ether and diphenylamine, houses for employees to the extent provided at the existing plants of the Du Pont Company, administrative buildings, laboratories, shops, box factories, etc., all of which, based on our past experience and best knowledge and with allowance made for increased cost of construction work, will cost according to our best estimate approximately ninety million dollars ($90,000,000).

3. The Du Pont Company proposes to act as agent for the Government in the selection of two or more sites for the location of said plants and in the purchase of all necessary land, materials, and equipment and in the furnishing of all necessary labor for the erection and completion of plants capable of producing approximately 1,000,000 pounds per day of water-dried smokeless cannon powder, with all reasonable dispatch, and will furnish the necessary plans for the construction thereof, it being understood that in order to expedite construction and insure satisfactory and economical operation the Du Pont Company shall be free to exercise its judgment as to the plans, materials, and equipment to be used in the construction of said plants and in the arrangement thereof.

4. In selecting the sites, procuring the land, acquiring materials, machinery, and equipment and employing the labor for the completion of said plants, as

well as in the operation of said plants when completed, the Du Pont Company will act solely as *the agent of the Government*, with the usual power and authority of an agent to contract for and in the name of his principal, and any expenditure or obligation arising or growing out of the construction or operation of said plants made or incurred by the Du Pont Company, together with any and all loss by accident, fire, flood, or explosion, arising or growing out of the construction and operation of said plants, will be for the account of the Government, who shall at all times indemnify and hold the Du Pont Company harmless therefrom, and the Government will at all times during the construction and operation of said plants furnish the Du Pont Company sufficient funds to enable it to meet and pay all bills and other obligations for land, material, equipment, labor, etc., as and when the same become due and payable, and shall promptly repay the Du Pont Company for any expenditure paid or laid out by it on account of the construction and operation of said plants.

5. On the first of each month, during the time said plants are under construction, the Du Pont Company will furnish to the Government a statement of the expenditures made during the preceding month for land, materials, equipment, labor, including superintendence of construction in the field, fire and liability insurance, and any other expenditure paid or laid out on account of the construction of said plants, and the Government will within five days thereafter pay to the Du Pont Company as its charges for the following services, the following percentages on the total amount of such expenditures made during the previous month, viz: For drawing plans and engineering supervision from the Wilmington office, five percent (5%); for purchasing and urging deliveries of material by Wilmington office two percent (2%); for compensation, including administration and other services rendered from the Wilmington office, eight percent (8%).

6. The Du Pont Company will use its best efforts to construct said plants as quickly as possible, in units having a capacity of 100,000 pounds each per day of twenty-four hours, and estimates that the first unit can be constructed and begin operation about eight months from the date the land is secured, and that additional units may be completed one each month thereafter, so that the full output may be reached in about eighteen months. The above is our best estimate, it being understood that the date of completion depends largely upon the extent of the cooperation given us by the Government in obtaining construction materials, equipment, and workmen.

7. This offer to act as agent for the Government in and about the matters set forth herein is conditioned that as units of manufacture are completed and ready for operation the Government will appoint the Du Pont Company its agent to operate said units or plants for at least eighteen months after their completion, if said plants are operated.

8. As units are completed and put in operation the Du Pont Company will use its best efforts to operate the same to their full capacity upon the following basis:

The Government will pay all the cost and expenses of the operation of said plants as and when they become due and payable, and in addition thereto will, on or before the 15th day of each month, pay to the Du Pont Company five cents (5c) per pound on all powder manufactured and packed during the previous month as payment for main office supervision, administrative and purchasing expense, and compensation to Du Pont Company, and in addition thereto, should the total mill cost of water-dried smokeless powder, exclusive of boxes, amortization, and depreciation of plant, but including all ingredients, labor in operation, labor and materials in repairs, power, transportation, general works expense, works accident, plant superintendence, be less than forty-four and a half cents (44½¢) per pound in any month, the Government will pay the Du Pont Company one-half the difference between the said mill cost and forty-four and a half cents (44½¢) per pound as illustrated in the following table:

Mill cost of powder	Cost to Government	Du Pont's compensation
Cents	*Cents*	*Cents*
46.5	51.5	5
45.5	50.5	5
44.5	49.5	5
42.5	48.5	6
40.5	47.5	7
Etc.	Etc.	Etc.

(1) It is understood that general works expense, referred to above, includes such items as:

Mill office expense, watchman, hospital, safety, laboratory, welfare, sanitation, fire protection, telephones, drafting and surveying, ballistics, boats and wharves, photography, salvage, subsistence, tenant houses, automobiles, mechanical transportation, cleaning and grading, tools, roads and railroads, stables, general buildings and shops, police protection, taxes, reclamation on returned powder, stores inventory adjustment, other works expense.

In case the Government requires a part of the powder to be air-dried, the mill-cost basis, on such air-dried powder, will be increased two and a half cents (2½¢) per pound, and the cost to the Government and compensation to the du Pont Company would be as illustrated in the following table:

Mill cost of powder	Cost to Government	du Pont's compensation
Cents	*Cents*	*Cents*
49	54	5
48	53	5
47	52	5
45	51	6
43	50	7
41	49	8
Etc.	Etc.	Etc.

(2) In case the Government requires part of the powder to be air-dried, decision as to the proportions of air-dried and water-dried powder must be arrived at before the plants are laid out.

9. While this proposition contemplates the construction and operations of plants with a total capacity of approximately 1,000,000 pounds of water-dried smokeless cannon powder per day, it is understood that in case the Government desires plants constructed and operated with a lesser total capacity, the terms and conditions of this proposal will apply to any such plant or plants of lesser capacity.

10. The Government shall have the privilege of cancelling the agency at any time during the construction of these plants, in which event the du Pont Company shall receive as compensation in lieu of the compensation herein provided one per cent (1%) of $90,000,000 for each month or fraction thereof elapsing between the date of the signing of said agency contract and the date of the cancellation thereof as aforesaid, which percentage it is hereby agreed covers full and fair compensation to the du Pont Company for its service in and about the construction of said plants, but in no event shall this compensation be in excess of fifteen per cent (15%) of $90,000,000.

E. I. du Pont de Nemours and Company,
Per E. G. Buckner, *Vice President.*

Exhibit No. 1127

EXCERPTS FROM MEETING OF THE WAR INDUSTRIES BOARD HELD THURSDAY, OCTOBER 11, 1917, AT 10:00 A. M., IN ROOM 945, MUNSEY BUILDING

Present: Mr. Scott, chairman, Mr. Baruch, Mr. Brookings, Admiral Fletcher, Mr. Frayne, Col. Pierce, Mr. Bingham, secretary.

Chemicals—smokeless powder—increase of du Pont capacity.—Mr. Scott reported that the chief of ordnance will recommend to the Secretary of War that the du Pont Company be permitted to expend $3.600,000 to create additional facilities to produce 3,500,000 more pounds per month of smokeless powder. Likewise that he had practically decided to recommend that they be permitted to expend additional $90,000,000 to double their smokeless-powder capacity, and that the chief of ordnance expected to recommend this without bringing the matter before the War Industries Board.

The meeting adjourned at 1:00 p. m.

H. P. Bingham, *Secretary.*

Exhibit No. 1128

SPECIAL MEETING OF THE WAR INDUSTRIES BOARD HELD TUESDAY, OCTOBER 16, 1917, AT 9:45 A. M., IN ROOM 945, MUNSEY BUILDING

Note.—In Mr. Baruch's opinion this was not a meeting of the War Industries Board but only a conference of the explosives committee of the Board.

Present: Mr. Scott, chairman, Mr. Brookings, Admiral Fletcher, Colonel Pierce, Mr. Bingham, secretary, and Mr. L. L. Summers.

Chemicals—explosive situation.—Col. Pierce presented a summary prepared by the statistical department under date of October 15th covering the requirements for explosives during the period of from October 1917 to October 1918, of the Army, Navy, Engineer Corps, industrial needs of the United States, British (contracts and prospectives), French (contracts and prospectives), Italian (contracts and prospectives).

This report was given to Mr. Summers to correct, if necessary, and he was requested to report on the explosive situation to the War Industries Board, making definite recommendations as to how the Government should proceed to secure the maximum amount of explosives.

Mr. Summers said that progress is being made in arranging for the securing of toluol from gas used in various cities. He brought out the extreme seriousness of the sulphuric acid situation showing that the requirements would be very much above the present production.

The chairman stated that he had been verbally advised by the Ordnance Department that the Secretary of War has given his approval to the plan authorizing the du Pont Company to practically double their capacity for the manufacture of smokeless powder at an expense of approximately $90.000.000.

Mr. Summers expressed the view that since the Government was so vitally interested in this matter that such additional facilities should be the property of the Government and not of a private interest. It was the unanimous opinion of the Board that immediate and drastic action should be instituted, as the explosive situation was regarded as critical and of supreme importance.

The meeting adjourned at 11:00 a. m.

H. P. Bingham, *Secretary.*

Exhibit No. 1129

[Copied from file no. G–728–232 E]

War Department,
Gun Division, Office of the Chief of Ordnance,
1330 F Street, Washington.

In replying refer to no.—, CP 471.5/645, 1st ind.: EAG/j: legal office, purchase section, gun division, O. O., Oct. 21, 1917. To general control, gun division, O. O.

1. I am in receipt of a telegram from E. I. du Pont de Nemours & Co. (GP 471.5/642) advising that preliminary order (GP 471.5/644) War-Ord-G728-323E, for the erection and operation as the agent of the Government of smokeless-powder plants having a capacity of 1,000,000 pounds of powder per day, meets the approval of the directors of the company in all respect except that paragraph 12 is objectionable in that the company desires that the order be issued to a subsidiary company to be organized especially for the purpose. Judge Laffey, counsel for the company, has submitted a memorandum (CP 471.5/645) to which this is an endorsement wherein he reviews the reasons advanced by his company in support of their request that they be permitted to form a new company for the performance of this work.

2. The memorandum is a summary of the discussion of the subject at conferences held on Wednesday October 17th attended by seven of the representatives of the company, General Crozier, Colonel Hoffer, Colonel Nichols, Major Burns, and the undersigned.

3. The objections in paragraphs 2 and 4 of the memorandum, that the formation of a new company would (a) centralize litigation and (b) facilitate accounting, are entirely secondary in importance. If the Du Pont Co. acts as agent for the Government and is made defendant in an action arising out of the agency, whether in a nearby or distant State, a complete defense would be made by the disclosure of the relationship of the company to the Government.

4. The argument advanced in paragraph 1 of the memorandum is based upon a desire to limit liability which "lies in the possibility of its being hereafter held that the Ordnance Department exceeded its lawful powers in making this contract, in which event the agent might be held liable on its implied warranty of authority on all contracts signed by it as agent of the Government. The Du Pont Company desires to assume no risk of financial loss to itself."

Financial loss to the Du Pont parent organization if it undertakes the performance of the contract would be suffered only in the event that the Supreme Court of the United States should hold the contract to be invalid on the ground that the Secretary of War did not have the power to execute the same.

Under the statute the Secretary is not only authorized but obligated to procure for the Army the supplies for which Congress has appropriated funds and in so doing he may delegate the authority to execute contracts vested in him to the heads of bureaus of the War Department.

The power of the United States to make contracts through its various departments has been discussed in a long line of cases which hold that the Government has the same powers and rights in the matter of making contracts as has an individual.

It is the magnitude of the undertaking which gives rise to the apprehension of the Du Pont Company, rather than a doubt as to the validity of the proposed contract, and consequently, no discussion, however convincing, will remove its reluctance to undertake this work in the name of the parent organization.

The counterproposal contemplates the formation of a new company having as its officers, directors, and employees every member of the preesnt Du Pont organization whose services will in any way be necessary or desirable in the performance of the contract. The parent organization will affiliate itself with the new company and will guarantee to the Government the fulfillment of every obligation proposed by the contract. In this way, it is asserted, the Government will have the services of the Du Pont Company but the risk of loss will be limited to the capital of the new company.

It is recognized that the guarantee of the Du Pont Company and its affiliation with the new organization might be so designed as to give effect to the alleged intention of establishing the same relationship with the Government as though the contract had been taken direct, and the question therefore reselves itself into one of policy.

E. A. Hamilton,
Captain, Ordnance Dept., U. S. R.

Exhibit No. 1130

[Copy. File GP 471.5/644. In replying refer to War–Ord–G728–323E]

War Department,
Office of the Chief of Ordnance,
Washington, October 25, 1917.

Messrs. E. I. du Pont de Nemours & Co.,
Wilmington, Delaware.

Gentlemen: 1. I have to advise you that your proposal under date of October 4, 1917 (G#635.1/5), as modified by letter of October 8th (GE 471.5/524) has been given consideration, and in accordance with the understanding reached at today's conference, attended by Colonel Buckner, Judge Laffey, Mr. Beardslee, Colonel Hoffer, Captain Hamilton, and myself, I hereby direct you to proceed as soon as possible with the construction for the Government of complete plants for the manufacture of smokeless powder for cannon in units of a 100,000 pounds rated daily capacity, the total capacity of which will be 1,000,000 pounds of powder per day of twenty-four (24) hours.

2. The proportion of water-dried and air-dried smokeless powder to be manufactured in the plants will be determined before the execution of the formal contract covering this order. The plants will be located on sites selected by you with my approval, and will include sulphuric and nitric acid manufacturing and recovering plants, cotton purification, gun cotton, water supply, waste disposition, power, lines of communication and transmission, store houses, freight yards and standard gauge tracks, plants for the manufacture of ether and diphenylamine, houses for employees to an extent which shall be proportionate to the housing facilities provided at existing plants of your company, administrative buildings, laboratories, shops, box factories, etc., all of which, it is estimated will cost about $90,000,000.

3. You will act as the agent for the Government in selecting sites for the plants and in effecting the use and occupancy or acquirement thereof by the Government and in providing all necessary labor and materials for the complete construction of the plants with the greatest dispatch. As the agent of the Government, you are authorized to do all acts necessary or convenient in and about the construction of the plants, and as such agent you will also make contracts and incur obligations in the name of the Government. The Government will indemnify you against any and all loss by accident, fire, flood, or explosion, or otherwise arising or growing out of the construction of the plants.

4. In order to expedite the construction of the plants you will be given freedom in the exercise of your judgment as to the preparation of the plans and the specifications of material and equipment to be used in construction and in the arrangement of the plants. All plans, drawings, and specifications, all subcontracts, and all other writings in any way relating to the exercise of the agency created will be subject to the inspection of the Chief of the Gun Division of this office.

5. The Government will reserve the right to furnish lumber, nails, cement, brick, and steel necessary in the construction of the plants, and to the extent that the Government exercises this right, it will agree to make deliveries of materials of suitable quality at such times and in such quanties as the bill of materials which you will furnish provides, but the cost of such materials shall be included in the cost of the plant upon which payments provided for in subdivisions (*a*) and (*b*) of the next following paragraph are computed.

6. The Government will pay directly or will reimburse you for all cost of the construction of the plants, and in addition you will be paid at the time of making payments on account of such construction, whether directly or to you in reimbursement—

(*a*) A sum equal to seven (7) percent thereof to cover preparation of plans, the procurement of sites, engineering supervision other than local supervision, and services in connection with purchasing and forwarding deliveries of material necessary for the construction of the plants, and

(*b*) A sum equal to eight (8) percent to cover administration other than local administration, pro rata share of overhead expense other than local overhead expense, and to cover profit.

The Government will make prompt payments and, if necessary so to do, will attach a disbursing officer at the plant or at the office of your company.

7. It is understood that, based on your best judgment developed by past experience, the first of the units will be completed and ready for operation about eight (8) months after the date the land on which such unit is to be constructed is acquired, and that additional units will be completed at intervals of thirty (30) days thereafter; and that all units will be completed within eighteen (18) months thereafter.

8. Upon the completion of each of the units, you will act as the agent of the Government to operate each unit and such agency will continue for a period of eighteen (18) months after beginning operation of the first unit, unless revoked because the need for the output of such plants has ceased to exist or because of willful misconduct as the agent of the Government.

As the agent of the Government, you will be authorized to do all acts necessary or convenient in and about the operation of the plants or any parts thereof, and as such agent you will also make contracts and incur obligations in the name of the Government. The Government will indemnify you against any and all loss by accident, fire, flood, or explosion, or otherwise arising or growing out of the operation of the plants.

9. The Government will pay directly or will reimburse you for all cost of the operation of the plants and in addition there will be paid to you the sum of five (5) cents per pound for all smokeless powder delivered and accepted.

At the end of the first full month of operation of any unit or fraction of a unit, the cost of the water-dried powder, exclusive of the cost of boxes and amortization and depreciation of plant, but including the cost of components and the conversion thereof, repairs, power, transportation, general works expense, works accidents, and plant superintendence, and all other proper items of cost shall be determined, and in the event that such cost shall be found to have been less than forty-four and one-half (44½) cents per pound, the Government will pay to your company, in addition to the five (5) cents per pound as above, fifty (50) percent of the difference between the amount by which the actual cost is less than the base cost of forty-four and one-half (44½) cents per pound. With reference to air-dried powder, the base cost on which additions to profit are computed will be forty-seven (47) cents.

10. The Government will reserve to itself the right to reduce the output of the plants herein provided to be constructed and operated, in which event the terms and conditions herein set forth will be applicable.

11. The Government will reserve to itself the right to revoke and terminate the agency to construct the plants at any time. In the event that such right is exercised within six (6) months from the date hereof, the Government will pay to your company in addition to the cost of construction, paid or incurred to the date of such termination or revocation, a sum which, together with all moneys theretofore paid under subdivisions (*a*) and (*b*) of paragraph 6 of this order, will equal $900,000 for each month and proportionately for any fraction of a month, during which the agency has been in operation. In the event that such right is exercised at a date later than six (6) months from the date of this order, the Government will be under no obligation to make payments other than those in this letter elsewhere provided.

12. It is understood that this order after acceptance by you may be assigned to the Du Pont Engineering Company, a Delaware corporation of nominal capitalization, to be organized solely for the purpose of the construction and operation of powder plants under this order.

The officers and directors of the Du Pont Engineering Company will be as follows: President Pierre S. du Pont; vice president, E. G. Buckner; vice president, Irénée du Pont; vice president, H. F. Brown; treasurer, J. J. Raskob; and secretary, Alexis I. du Pont. Directors: H. F. Brown, E. G. Buckner, R. R. M. Carpenter, F. L. Connable. William Coyne, Alexis I. du Pont, Irénée du Pont, Lammot du Pont, Pierre S. du Pont, H. G. Haskell, J. P. Laffey, H. M. Pierce, J. J. Raskob, and F. G. Tallman.

13. It is also understood that concurrently with the execution of the formal contract with the new company covering this order, a tripartite agreement will be entered into by E. I. du Pont de Nemours & Co., the Du Pont Engineering Company, and the Government, wherein E. I. du Pont de Nemours & Co. will guarantee to furnish to the Government and to the Du Pont Engineering Company as and when and to the extent required in the construction and operation of the said powder plants:

(*a*) The services of its engineering, purchasing, operating, and other special and technical departments.

(*b*) The right to use all plans, drawings, and specifications, patents, processes, and trade secrets possessed by it.

(*c*) Such working capital as may be needed.

This tripartite agreement will continue during the life of the contract between the Du Pont Engineering Company and the Government and will be subject to modification only with the consent of the Government.

Respectfully,

(Sgd.) William Crozier,
Major General, Chief of Ordnance.

The terms and conditions of the foregoing order accepted and agreed to:

E. I. du Pont de Nemours & Co.,
(Sgd.) Pierre S. du Pont, *President.*

Attest:

(Sgd.) L. R. Beardslee, *Asst. Secretary.*

EXHIBIT 1131

EXCERPTS FROM MEETING OF THE WAR INDUSTRIES BOARD HELD WEDNESDAY, OCTOBER 31, 1917, AT 10 A. M. IN ROOM 703, C. N. D. BUILDING

Present: Judge Lovett, acting chairman; Mr. Baruch, Mr. Brookings, Admiral Fletcher, Mr. Frayne, Col. Pierce, Mr. Bingham, sect'y.

Chemicals—Increase of plants of the Dupont Powder as brought to the attention of the Board by Major Genl. William Crozier.—A communication from the Chief of Ordnance dated October 29th, No. GE 471.5/350 informing the Board of arrangement made between the Ordnance Department and the E. I. Dupont de Nemours & Company for the construction and operation of powder plants having a rated capacity of one million pounds of finished smokeless powder per day and involving an expenditure of approximately $90,000,000, was read for the information of the Board.

It was ordered that the following letter be sent in acknowledgment to the Chief of Ordnance:

OCTOBER 31, 1917.

The CHIEF OF ORDNANCE,
War Department, Washington, D. C.

SIR: 1. Replying to your communication of October 29th, No. GE 417.5/350, we beg to say that the only previous definite information the War Industries Board had regarding the contract referred to therein with the E. I. Dupont de Nemours & Company was a telephone message to the chairman of the Board to the effect that you proposed to make a contract with the Dupont Company involving the expenditure of about $90,000,000 without referring it any way to the Board.

2. We now understand that you simply advise us of your action as a matter of information.

Respectfully,

[Signed] H. P. BINGHAM,
Secretary War Industries Board.

Mr. Brookings stated that he and Mr. Baruch had been called upon this morning by the Secretary of War who had requested that the Board investigate the contract advising him as to the opinion of the Board of the terms thereof Mr. Baruch and Mr. Brookings were thereupon requested to consider the contract in its various phases and advise the Board.

The meeting adjourned at 1:00 p. m. to reconvene at 2:30 for discussion of the regulation of the price of tin plate and of certain items of steel.

H. P. BINGHAM, *Secretary.*

EXHIBIT No. 1132

[File 90]

NOVEMBER 1, 1917.

Mr. E. G. BUCKNER, *Vice President,*
Wilmington, Delaware.

DEAR SIR: In reply to your inquiry for more detailed information as to the disadvantages to the du Pont Company in undertaking the proposed contract for constructing powder factories for the United States Government, and the advantages to the Government in our proposal, I submit the following:

In order to provide special machinery, such as powder presses, dehydrating presses, etc., we have been obliged to purchase a machine shop at cost of $700,000. This purchase is, of course, at an inflated value, due to war conditions. We will probably not realize on the property at an advantageous price when a sale is made, and the shop is not necessary for the purposes of our company.

We will make all such machinery in our machine shops and charge to contract at cost. If these items were purchased in the open market a very large profit would be charged by the manufacturer, and there might be great delay in obtaining the machinery.

The engineering and mechanical work necessary for making drawings of apparatus *is completed.* These drawings could not be prepared anew without great expense and greater loss of time, due to difficulty of obtaining draughtsmen for work on the scale required. I mention that the blueprints used for our factories would cover some sixty acres of ground if spread out, giving some idea of the enormous work involved in their preparation, and in the great saving to the Government in both time and money in having this material at hand.

When we built our own smokeless-powder factories such work was more ready of accomplishment, and I do not think it could have been done without the stimulus of our bonus plan. We cannot divert our principal men to this new work without similar payments to them, not only because we would be unwilling to undertake the work without making such provision for payment of those employed but because we could not hold the men in our service unless such outlay be made, either in salary, or, as we prefer to do, in bonus. We are setting aside $1,500,000 for this purpose, this being less than the sum expended in the erection of our own plants.

The loss of the use of our engineering department will be a great burden to the welfare of our company; construction work amounting to millions of dollars would have been undertaken by us in the year which must be devoted to the construction of the Government plants. This work would make a handsome return to our stockholders, even in normal times; and if the war should continue, the indirect financial loss to our stockholders would be much greater; and in addition, our failure to finish construction may seriously handicap our work for many years. As an instance, I might cite one factory is now under construction and under whose operation we have firm contracts for delivery of material. Delay in constructing this plant and furnishing material under our contracts will cost the company $500,000 per month. Undoubtedly, the proposed Government work will interfere seriously with the completion of this particular plant.

In times such as these, possible savings through improvements are enormous. Many of these savings will be lost, owing to diversion to Government construction of men whose duty it is to search them out. The estimated saving from improvements devised by the engineering department in the past six months of this year aggregates $3,869,000 annually. After the contemplated construction for the Government is finished it will be too late to make savings from the operation of our military plants.

There is another point on which we have touched lightly, but whose importance I wish to impress upon you, namely, that we have among our stockholders a very aggressive and wealthy minority who are spending much time in trying to harass the present administration of the company. We cannot undertake any work of the magnitude contemplated in these Government factories without including in our charges the profit that one might reasonably expect from the use of our stockholders' money. If we should fail to do this, the unfriendly minority would have a case of some merit to promote against those in charge of the company's affairs. Apart from the possibility of these attacks, this feature of the situation only serves to accentuate the duties of our officers and directors to endeavor to win reasonable profits for the stockholders. That is not only part of our duty, but we cannot assent to allowing our own patriotism to interfere with our duties as trustees. Our commanding position in the explosive industry has been won only by incessant work and expenditures of money by the company. The situation is an asset of the stockholders which cannot be dissipated lightly. It is undoubtedly true that the contemplated work could not be executed by other contractors at cost to the Government better than that which we propose to charge, including our commission. If we are wrong in this supposition we will gladly relinquish the work to other contractors, as we do not feel that our low compensation will bring to the company as great financial reward as we would reap were we to continue our own business unhampered by this contract for governmental work.

Yours very truly,

——— ———,

President.

Exhibit No. 1133

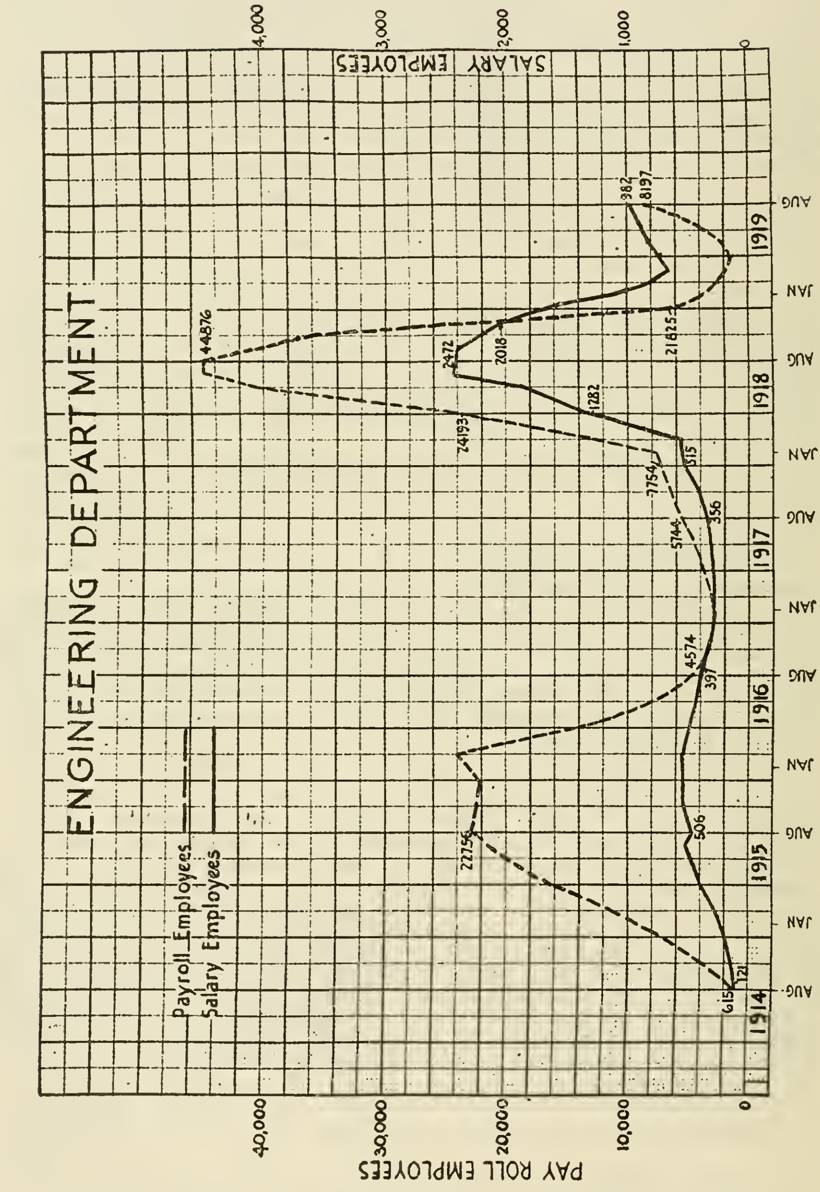

Exhibit No. 1134

Extract From Report Addressed to the Executive Committee of E. I. du Pont de Nemours & Company From President of du Pont Engineering Company. Dated June 14, 1923 (#9579)

ENGINEERING ORGANIZATION—ANALYSIS SHOWING NET RESULTS OF OUTSIDE CONTRACTING WORK AND EFFECT UPON DU PONT ORGANIZATION AS A WHOLE

The outside contracts (lump sum) that we were permitted to undertake during the latter part of the year 1921 have not worked out as we had originally planned, largely due to conditions beyond our control. I am inclosing exhibit "A", activities of du Pont Engineering Company for period from January 1919 to June 1923 (not including General Motors work). I am also attaching exhibit " B ", photostat of du Pont Company construction curve, showing the trend of construction costs from 1914 to date.

The very rapid recovery in business beginning at about the time we undertook our outside contracts was a great surprise, especially to contractors who had concluded the time had arrived to take work on a lump-sum basis. These conditions will be noted by examining the curve on exhibit " B." We are sure, however, that the curve for construction work in general is approximate to our curve. Due to the above conditions, it is necessary that we make a complete analysis of all work done following the war other than du Pont work, in order to present a true picture of what actually happened during the period of demobilization of our engineering organization which had been expanded to meet the war conditions, and which during August 1918 was operating on a basis of $800,000 worth of engineering, design, and construction work per day.

Following the signing of the armistice we were left with this organization and it was necessary to decide very quickly what was to be done with it. Since it had been the du Pont Company's policy for approximately twenty years to maintain an organization to do its own design and construction work and since the executive committee at that time decided to continue this policy, we were confronted with the problem of demobilizing the engineering organization to a point where it could best meet the normal requirements of the du Pont interests. Our forces at that time consisted of 2,479 salary employees and approximately 45,000 field forces. We very quickly demobilized 75 percent of these forces, retaining the best men, the remaining portion to be demobilized more gradually and as conditions warranted. It was suggested that we undertake to do such work for the General Motors Corporation as they would give us under a contract where we would charge them only 10 percent profit on the cost of the engineering, and which actually figured but only a fraction of a percent on the actual cost of construction. The total of this General Motors work following the war has amounted to approximately $40,456,667. We were therefore able to keep the remaining portion of our organization very busy for approximately two years following the war or until the beginning of the terrific business slump. As a matter of fact we found it necessary to increase our salary forces from approximately 600 to 972 in order to handle the great volume of General Motors work during the eighteen months immediately following the war. When the business depression came the General Motors Corporation curtailed its entire construction program and the du Pont Company likewise so reduced its construction program that it was necessary to immediately begin a secondary demobilization of our forces from a peak of 972 during the first part of 1920 to an average of 150 salary employees. This secondary demobilization was under way for a period of approximately eighteen months.

Exhibit No. 1135

[Copied from file no. G–728–323–E]

November 2, 1917.

General Wm. Crozier,
Chief of Ordnance, U. S. A., Washington, D. C.

Dear Sir: In answer to your request that I put in writing an estimate of the expenses which are chargeable against the 15% commission on the proposed contract for construction of plants for the United States Government.

I wish first to call attention to some general conditions indicating the magnitude of the work and the burden that is placed upon our company in this undertaking to the injury of existing business.

The importance of the proposed undertaking must not be minimized. For instance, the rate of construction demands a monthly outlay in excess of the average monthly outlay in the construction of the Panama Canal. The contract represents transactions equal to nearly four times the annual business of our company prior to the war. This burden is to be superimposed on immense developments already made and now being operated at maximum pressure. The proposed factories will require a water supply equal to that of the city of Boston, and this supply must not only be filtered before using, but must be neutralized after using before returning to the streams from which it is to be withdrawn. Probably no such plant exists anywhere in the world excepting at our factory at Hopewell, Va. At the peak of construction work these factories must be equipped to handle 600 cars per day for a period of a month, and probably an average of 250 cars per day throughout the 14 months of construction.

You appreciate that the task imposed upon our company is enormous and fully justifies the alternative offer made last night when Mr. Buckner offered to furnish the Government our existing plans from which to build these plants, without charge, if, in return, you can arrange to have the work done by other engineers and builders, thus relieving us entirely of the burden. I believe, however, that this counter offer should not be accepted. These factories can be constructed more cheaply and efficiently and with greater certainty of immediate maximum output if the work is conducted by E. I. du Pont de Nemours & Company than if handed over to contractors who cannot place themselves in immediate contact with similar plants in actual operations.

The expected output is very large. Small savings in methods of operation applied in these new factories will result in great advantage to the Government. Therefore it seems almost necessary that construction and operation should be conducted in closest contact with the improvements continually being made in our own factories, all of which will be incorporated in the new plants.

As an illustration of this point, I call attention to the saving in the use of alcohol developed in two years' operation of our great Carney's Point plant. This improvement alone will probably reduce the cost about $10,000,000 per annum in the operation of the new factories. I might add to this that general improvement in methods of handling materials has resulted in an almost complete offset of the increased cost of about 60% in the price of raw materials used. These improvements have enabled us to sell powder to the United States Government and to its Allies during war times at a price less than that charged in times of peace.

Many of the improvements apply only to factories doing business on the enormous scale now in contemplation, therefore could not be developed from the business of our company as it was conducted prior to the war, or from the existing factories of the Government or of other private manufacturers.

The development of these general conditions has convinced us of the propriety of the seemingly high charge of 15% commission which may amount in maximum to $13,500,000. This commission covers not only profit but many indirect expenses which are so involved in the daily conduct of our business as to prevent segregation except by an estimated division of thousands of expense items incurred throughout the period of construction. The difficulty of making this segregation has led us to agree to assume all of this indirect cost, an estimate of which is given in the attached list.

I am also including several more direct expenses, such as extra compensation to employees for rapid and satisfactory conduct of the work. This compensation cannot be determined until the contract is well nigh completed. An extra compensation plan has been carried out with good effect by our company for many years. We are satisfied that in the present emergency it is not only inadvisable but really dangerous to attempt to withdraw it. The actual cost of this item in building similar plants for our own company amounted to $1,800,000; however, this is a small percentage of the total salary and pay roll involved in the work.

I am also outlining in the statement attached hereto some losses which will be incurred by our company in the undertaking of this new work. For instance, we have already undertaken large construction in connection with the dye industry and other chemical manufacture, and have engaged to deliver the product of these factories in large amounts. The delay in finishing construction work, due to our proposed new undertaking, will result in serious financial loss, that in the dye industry is most certain, and is estimated below.

Embarkation in these new lines of manufacture, part of which are already in operation, has placed us in position of making very large savings through close attention to details of manufacture and application of economies. This work is that of our engineering department and must be discontinued on account of the proposed contract with the United States Government. I have had prepared an estimate of the annual savings due to the improvements installed in the first six months of this year, as a result of our endeavors toward economical operations. There is every reason to believe that similar reduction in cost can be obtained in the future, as the past six months have not been extraordinary in this line. I might add that over 90% of the $3,800,000 annual saving resulting from these economies relate to the manufacture of military powders, and will be incorporated in the construction of your factories, so that your cost of manufacture will be reduced by similar amount.

In final explanation of the tabulation attached I might call attention to the fact that the figures are estimates based on many factors. It is unlikely that the minimum figures can be attained for every item, or that the maximum will be imposed throughout. However, in a situation so uncertain as is that of today, business prudence and our duty to our stockholders make it necessary to provide against loss, even though prospective profit is unlikely to be adequate.

If I have made omissions in the above or failed in clear explanation, please call upon me for anything additional that you may desire.

Yours very truly,

PIERRE I. DU PONT, *President.*

Estimate of items chargeable to Commission to be received for construction of factories to produce 1,000,000 smokeless powder per day

A. Direct cost over and above those paid by the Government in accordance with our offer:	
1. Preparation of plans, including selection of sites, optioning of land, survey of land, making of contour maps, and use of all our standard drawings. Estimated cost to us between 1 and 2 percent of estimated cost of plant ($90,000,000) say a mean of	1½%
2. Supervision of construction, being work usually done by the general contractor, of inspecting engineer, including supervision of fabrication of machinery and apparatus, as well as supervision of actual building. Estimated cost between 1 and 2 percent, say a mean of	2%
3. Cost of extra compensation to be offered to men engaged on the work as an inducement to extraordinary effort to expedite early completion and economy of construction (our expenditure on this account amounted to $1,800,000) estimated $1,500,000	1.67%
4. Purchasing exp. including cost of urging deliveries and Washington office for keeping in touch with Priority Board and Civil Service Commission. Estimated cost between ½ and 1½ percent say a mean of	1.0%
5. Administrative expense. It seems reasonable to assume that at least one-half of our present administrative effort will be expended on this great work. Based on the present cost, this would amount to about $900,000 or	1%
6. Likely depreciation or amortization of machine shop which must be provided. We have engaged to purchase a machine shop not provements will be necessary. There will be a heavy loss in disposing of this shop after the work is done. This loss estimated at $225,000	.25%
B. Indirect costs:	
7. Interference with completion of operations of Dye Industry, in which we have already invested several million dollars. A loss of profits of $500,000 to $1,500,000, estimated $900,000	1.0%
8. Loss of economies in current operations due to diversion of our Engineering Department to new construction work, $2,000,000 to $4,000,000, estimated $2,700,000	3.0%

Summary

	Min.	Max.	Mean		Min.	Max.	Mean
	Percent	*Percent*	*Percent*		*Percent*	*Percent*	*Percent*
1	1	2	1.5	6	0.25	0.25	0.25
2	1	3	2.0	7	.65	1.11	.55
3	1.67	1.67	1.67	8	2.23	4.44	2.22
4	.5	1.50	1.00				
5	1.0	1.0	1.0	Total	8.19	14.97	11.42
				Estimated profit	6.81	.03	3.58

EXHIBIT NO. 1136

EXTRACT FROM MINUTES OF REGULAR EXECUTIVE COMMITTEE MEETING # 170, E. I. DU PONT DE NEMOURS & COMPANY, HELD OCTOBER 26, 1917

QUESTION OF BUILDING AND OPERATING FOR THE U. S. GOVERNMENT PLANTS CAPABLE OF PRODUCING 1,000,000 LBS. OF SMOKELESS POWDER PER DAY

The chairman orally reported that it is expected word will be received from the Government in the very near future requesting us to proceed with this work.

Report was received from the chairman dated October 25, 1917 (#9500), in regard to establishing a bonus fund to be available for employes who successfully carry out the construction of the plants for the manufacture of 1,000,000 lbs. of smokeless powder per day for the United States Government.

After full discussion, it was moved and unanimously carried that this report be received and filed, and the chairman advised that it is agreeable to this committee to enter into a contract with the Du Pont Engineering Company under which we will receive from the Du Pont Engineering Company $1,500,000 of the total commissions which they receive on account of work which they are proposing to undertake, as an amount of money to be available for payment by the Du Pont Company to the employees of the Du Pont Company and Du Pont Engineering Company, either in cash or in stock of the Du Pont Company, as in the discretion of the executive committee of the Du Pont Company may seem best, as bonuses to the men who contribute most in the successful prosecution of this work. it being understood that this amount is to be available for distribution to the employees entirely apart from the regular Du Pont Company bonus plan which is to be in no way effected by this arrangement; it is further understood that if for any reason the Du Pont Engineering Company do not complete the construction work as contemplated, the amount of the $1,500,000 payment herein referred to shall be reduced to an amount equal to one-ninth of the gross commissions received by the Du Pont Engineering Company from the United States Government.

EXHIBIT NO. 1137

E. I. DU PONT DE NEMOURS & COMPANY

EXECUTIVE COMMITTEE

Meeting # 172 (regular meeting) held at the office of the company, Wilmington, Delaware, 11:00 a.m., November 9, 1917.

Present: Irénée du Pont, in the chair; R. R. M. Carpenter; H. F. Brown; H. G. Haskell; F. G. Tallman; Lammot du Pont; Wm. Coyne; J. J. Raskob.

Absent: F. L. Connable.

UNFINISHED BUSINESS

Bonus fund for employees who successfully carry out construction of plants for manufacture of 1,000,000 pounds of smokeless powder per day for U. S. Government.—Report from the chairman dated October 29, 1917 (#9538) on the above-mentioned subject, action on which was deferred at the last regular meeting, was again presented for consideration. The chairman advised that Col. Hoffer, of the U. S. Ordnance Department, thought it inadvisable to make any reference in the contract with the Government to the matter of the bonus fund to be contributed by the Du Pont Engineering Company, in view of its being a matter between the Du Pont Engineering Company and the Du Pont Company, and that consequently it was not incorporated in the order given us for the plants by General Crozier.

After discussion, it was moved and unanimously carried that this report be accepted and ordered filed.

(The following information was requested by the committee of the du Pont Co. See text, p. 2912.)

E. I. DU PONT DE NEMOURS & CO.,
Wilmington, Del., April 19, 1935.

UNITED STATES SENATE SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY,
Washington, D. C.

GENTLEMEN: There is attached hereto statement showing advances made by the United States Government, in connection with military contracts, to E. I. du Pont de Nemours & Co., Du Pont Engineering Co., and Du Pont American Industries, Inc.

Yours very truly,

H. W. LYNCH, *Assistant Comptroller.*

Statement of advances from United States Government in connection with military contracts[1]

Advanced	E. I. du Pont de Nemours & Co.	Du Pont Engineering Co.	Du Pont American Industries, Inc.
January 1918	$32,062,519.30		
March 1918	1,114,285.00		
April 1918	1,290,000.00	20,466,829.87	
May 1918		713,800.00	
June 1918	1,290,000.00		
August 1918	2,527,500.00	1,000,000.00	
September 1918	8,413,600.00	12,636,000.00	
October 1918	4,541,138.51	4,200,000.00	
November 1918	720,000.00		
December 1918		6,318,000.00	
January 1919			5,400,000
February 1919	7,000,000.00		
Total advanced	58,959,042.81	45,334,629.87	5,400,000

(The following information was requested of the du Pont Co. by the committee. See text, p. 2913.)

E. I. DU PONT DE NEMOURS & CO.,
Wilmington, Del., April 17, 1935.

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING
THE MUNITIONS INDUSTRY,
Washington, D. C.

GENTLEMEN: In accordance with agreement between the United States of America and du Pont American Industries, Inc., dated August 28, 1918, and supplemental agreements dated September 10, 1918, November 20, 1918, July

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[1] Mr. Lynch's total of $58,959,042.81 for advances to the parent company exceeds by about $4,000,000 the similar total shown in tabulation at the end of "Exhibit No. 1138" (Hearings, Part XIV, appendix, p. 3261, 3263). That is because the total of that exhibit was arrived at by considering only advances made on and after Jan. 10, 1918 (as indicated at the end of the text preceding the tabulation), whereas the total shown in Mr. Lynch's tabulation is fully inclusive for the entire period of the war.

1, 1919, December 28, 1919, and June 15, 1920, du Pont American Industries, Inc., acted as the sole purchasing and selling agent for the United States Government of all cotton linters produced in the United States during the life of the contract.

The United States Government advanced to du Pont American Industries, Inc., the sum of $5,400,000 to compensate the agent for the utilization of its own funds in the purchase of linters not allocated by the War Industries Board in accordance with the terms of the contract. This sum was deposited in "special" bank accounts and kept separate during the period of the above stated agreements. Interest accrued to the credit of the United States Government and upon completion of the contract, the principal amount plus accrued interest of $151,708.85 was refunded to the Government.

In the performance of this contract, du Pont American Industries, Inc., financed certain purchases out of its funds. Sales of linters were made to individuals or firms as directed by the War Industries Board and du Pont American Industries, Inc., received reimbursement from the individuals or firms to whom linters were sold, or from the above advances from the United States Government in instances where the War Industries Board failed to allocate materials in accordance with the terms of the contract.

Very truly yours,

A. C. Nielson, *Comptroller.*

(The following information was supplied at the request of the committee. See text, p. 2914.)

E. I. du Pont de Nemours & Co.,
Wilmington, Del., April 19, 1935.

United States Senate,
Special Committee Investigating
the Munitions Industry,
Washington, D. C.

REPORT OF GOVERNMENT CLAIMS DIVISION FOR JULY 1920 MADE SEPTEMBER 14, 1920, IN REGARD TO MATERIALS AGGREGATING $20,800,000

Gentlemen: During the hearings held in December 1934 the committee requested further information in regard to this matter in event same had no reference to the Old Hickory plant.

In reply, we wish to state that this claim had no relation to Old Hickory, but instead represented materials purchased by the du Pont Co. in connection with the performance of certain contracts entered into between du Pont Co. and the United States Government.

Immediately upon the signing of the armistice, the du Pont Co. suspended operations on the various Government contracts in hand, and claims were submitted to the Government covering sulphur, cotton, and nitric acid purchased in connection with the fulfillment of said contracts.

Yours very truly,

A. C. Nielson, *Comptroller.*

(The following report supplements "Exhibit No. 1112." See text p. 2923.)

January 28, 1935.

Hon. Gerald P. Nye,
Chairman Special Committee Investigating the Munitions Industry,
United States Senate.

My Dear Mr. Chairman: I have your letter of January 3, 1935, identified as Treasury request no. 55–A, having reference to a list of individuals who reported for income-tax purposes net incomes in excess of $1,000,000 during certain years. The list in question was transmitted to you with my letter of September 5, 1934, in response to your request of August 3, 1934, identified as request no. 26.

Your letter of January 3, 1935, refers to the information previously furnished as "a list of all persons having incomes over $1,000,000 in 3 or more of the years between 1915 and 1920, inclusive", and the request is made that there be compiled a list of all the individuals having incomes over $1,000,000 in any one of those years. The quoted expression and the request contained in your letter leads me to believe that the exact nature of the list previously submitted to you has not been fully understood. The exact nature of the information conveyed in the original list is indicated in the second paragraph of my letter to you of September 5, 1934, which is quoted as follows:

"I advised you in my letter of August 20, 1934, that, in accordance with the result of a discussion of such request with Mr. Stephen Raushenbush, of the committee's staff, there would be compiled and furnished to the committee a compilation showing the names of all individuals with net incomes in excess of $1,000,000 for any year from 1917 to 1920, inclusive, and indicating all and any years between 1915 and 1920, inclusive, when such individuals had net incomes in excess of $1,000,000."

In other words, the name of any individual taxpayer who reported a net income in excess of $1,000,000 for any year from 1917 to 1920, both inclusive, is shown on that list together with an indication of the year for which the reported net income was in excess of $1,000,000. If any such taxpayers reported net incomes in excess of $1,000,000 for more than 1 year during the period from 1917 to 1920, both inclusive, all years during such period when the reported net incomes exceeded $1,000,000 are indicated. Furthermore, if any of the taxpayers who reported a net income in excess of $1,000,000 for any of the years 1917 to 1920, both inclusive, also had a net income in excess of $1,000,000 for either one or both of the taxable years 1915 and 1916, such fact is indicated on the list.

It will thus be seen that the only taxpayers who reported net incomes in excess of $1,000,000 for any one or more years from 1915 to 1920, both inclusive, and whose names have not been furnished to the committee are those taxpayers, if any, who may have reported net incomes in excess of $1,000,000 for either one or both of the years 1915 and 1916, but who did not report net incomes in excess of that sum for any one of the years 1917 to 1920, both inclusive.

In order that the committee may have a complete record of all individuals who reported net incomes in excess of $1,000,000 for any one or more of the years from 1915 to 1920, both inclusive, it now becomes necessary to furnish only the names of the individuals who reported net incomes in excess of a million dollars for either one or both of the years 1915 and 1916, and whose names do not appear on the list furnished you with my letter of September 5, 1934. With this information before it, the committee will then have not only the names of all individual taxpayers in the million-dollar classification for the years 1915 to 1920, both inclusive, but also an indication of the years when the reported net income was within the classification.

I trust that the explanation furnished above will clarify the committee's understanding of the information heretofore furnished and that the committee's desires with respect to this matter will be fully satisfied by submission of the names of any individuals who reported net incomes in excess of $1,000,000 for either or both of the years 1915 and 1916 and whose names are not contained on the previous list. A list of such names is enclosed.

In the event that further correspondence relative to this matter is necessary, reference should be made to IT: E: RRR–CWC.

Very truly yours,

T. J. COOLIDGE, *Acting Secretary.*

Five enclosures: Copy of this letter; copy of letter dated August 20, 1934; copy of letter dated September 5, 1934; photostats; copy of letter from chairman dated August 3, 1934.

STATISTICAL SECTION—INCOME TAX UNIT

Individuals reporting net income of $1,000,000 or over for one or both of the years 1915 and 1916 who did not report $1,000,000 or over for any of the years 1917–20, showing names and addresses as of 1916 and indicating by an asterisk the years in which the net income was $1,000,000 or over

Name and address	1915	1916	Name and address	1915	1916
Deeds, Edward A., Dayton, Ohio	------	*	Kennedy, S. G., Tulsa, Okla	------	*
Harwell, E. P., Tulsa, Okla	------	*	Kettering, Charles F., Dayton, Ohio	------	*
Horlick, William, Racine, Wis	------	*	Read, William A., New York, N. Y	*	*

(The following information was requested by the committee of the Treasury Department. See text, p. 2924.)

(Copy)

IT: E: RRR
HON. ARTHUR H. VANDENBERG, JANUARY 8, 1935.
Special Committee Investigating the Munitions Industry,
United States Senate.

MY DEAR SENATOR: In accordance with the written request of Chairman Nye, of the Special Committee Investigating the Munitions Industry, I submitted to him under date of September 5, 1934, a compilation showing the names of all individuals who reported for income-tax purposes net incomes in excess of $1,000,000 for any year from 1917 to 1920, both inclusive, and indicating all and any years between 1915 and 1920, both inclusive, when such individuals had net incomes in excess of $1,000,000 according to the income-tax returns as filed by them.

The data in question were submitted in evidence as an exhibit at the hearings being held before the committee on December 13, 1934, and were properly identified at that time by an official of the Bureau of Internal Revenue. As a member of the committee, you asked at that time whether it would be possible to have submitted the amounts of net incomes and the amounts of taxes thereon with respect to each of the individuals whose name appears upon the lists and for such years as the net incomes exceeded $1,000,000 according to the lists. You were advised that such information could be furnished on the basis of the returns as filed by the taxpayers.

In a further discussion of the matter with you, off the record, it was agreed that the information requested by you should be submitted in such form as would not disclose the name of the taxpayer, and that the order in which the statistics taken from the taxpayers' returns were to be arranged would not follow the same order in which the taxpayers' names appear on the lists introduced into evidence before the committee on December 13, 1934, thereby preventing identification of the statistics relating to any particular taxpayer's return by comparison of the lists first submitted with the lists to be furnished later.

The lists submitted to Chairman Nye with my letter of September 5, 1934, contain the names and addresses of 181 individuals who reported a net income of $1,000,000 or over for any one or more of the years 1917 to 1920, both inclusive. There are submitted herewith photostatic copies of three sheets comprising the new lists, prepared in accordance with your request, which furnish, in thousands of dollars, the net income and total tax reported in the case of each of the 181 individuals named on the lists submitted under date of September 5, 1934, with the net incomes and taxes shown only for such years as the individuals in question reported taxable net incomes of $1,000,000 or more and with the data taken from the returns in an arrangement differing from that used in compiling the lists which were introduced in evidence before the committee on December 13, 1934.

Please understand the data submitted herewith have been compiled on the basis of information taken from the returns as originally filed by the taxpayers and not on the basis of returns as finally adjusted and closed by the Bureau of Internal Revenue. This method of compilation was stated to be agreeable to you when it was explained that it greatly simplified the work of the Bureau of Internal Revenue in complying with your request.

I trust that the enclosed information fully satisfies your desires with respect to this matter.

In the event that further correspondence relative to this matter is necessary, kindly refer to IT: E: RRR–CWC.

Very truly yours,

T. J. COOLIDGE, *Acting Secretary.*

STATISTICAL SECTION—INCOME TAX UNIT

Individuals reporting net income of $1,000,000 or over for any of the years 1917–20.—Showing for 181 individuals listed by serial number, for the years for which the net income was $1,000,000 or over, the net income and the tax reported on the returns as filed and prior to any subsequent adjustment

[Thousands of dollars]

Serial no.	1915		1916		1917		1918		1919		1920	
	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax
1									1,373	933		
2	1,051	55	1,550	150	1,496	662	1,604	1,020	1,584	986		
3	2,515	146	4,846	574	5,837	2,997	1,003	585				
4			1,018	92	1,314	312						
5			1,864	219	1,892	1,031						
6									2,123	1,425		
7	1,553	84	2,510	268	1,759	725			1,122	663	1,378	829
8					1,038	327	1,323	794	1,254	749	1,027	601
9					2,423	1,422						
10	2,433	151	3,789	361	2,931	1,195	3,027	1,901	2,700	1,688	1,521	922
11					1,212	201						
12									3,395	2,384		
13	1,115	57	1,885	184	1,667	541	1,195	658				
14			1,927	207	1,587	696						
15	1,099	62	1,010	93	1,359	517	1,213	777				
16							1,185	832				
17	1,092	56	1,041	87	1,228	317						
18							1,036	730				
19									1,146	732		
20	1,016	57	1,166	114	1,044	323						
21	1,266	78	1,384	151	1,539	695	1,327	947	1,767	1,217	1,167	779
22									1,278	357		
23											1,115	712
24	1,338	81	1,568	171	2,216	1,197	2,416	1,740	1,367	898		
25	2,525	142	3,287	366	4,377	1,516	2,435	1,516				
26									1,452	990		
27									1,508	473		
28	1,381	77	1,853	192	2,367	765	1,551	941				
29					1,875	247						
30					1,772	80						
31					1,641	82						
32									1,625	1,091		
33					1,096	273						
34					1,793	112						

Statistical Section—Income Tax Unit—Continued

Individuals reporting net income of $1,000,000 or over for any of the years 1917–20.—Showing for 181 individuals listed by serial number, for the years for which the net income was $1,000,000 or over, the net income and the tax reported on the returns as filed and prior to any subsequent adjustment—Continued

[Thousands of dollars]

Serial no.	1915		1916		1917		1918		1919		1920	
	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax
35	1,559	87	1,927	198	2,180	452	1,598	979				
36	1,344	73	1,331	130	1,033	174						
37					1,737	1,012						
38	1,130	58	1,029	86	1,184	107						
39			1,280	137							1,018	647
40	1,294	79	1,086	111	1,089	424						
41					1,105	228						
42			9,423	1,171	1,405	285						
43									1,066	693		
44	1,696	99	1,813	190	2,003	663	2,413	1,509				
45	2,965	184	2,257	246	1,631	465	1,352	808				
46	1,970	110			3,158	322			8,496	6,075		
47			1,515	169	1,307	430						
48											1,153	683
49					1,625	838						
50	1,677	91	3,482	391	2,552	1,047	1,013	592	1,090	646		
51			2,679	334	2,021	1,098						
52	1,703	109	3,895	515	1,135	488						
53	3,456	205	6,615	882	2,554	1,074						
54	1,591	86	2,631	281	1,807	529	1,103	650				
55									3,278	2,301		
56									2,938	2,053		
57			1,265	112	1,048	279						
58	1,119	58	1,785	173	1,519	455						
59							1,499	1,087				
60			2,224	231	2,084	738	1,085	639				
61	22,741	1,549	8,320	1,020	4,956	2,767	1,975	1,220	1,486	899		
62			2,525	266	1,340	615						
63	13,333	861	1,816	176	3,551	1,585	1,667	1,017	1,202	715		
64	1,918	121	1,549	147	1,520	441						
65	8,532	574	3,416	382	1,058	402	1,059	689				
66			2,891	356					1,218	751		
67	3,842	225	3,030	339	3,233	833	2,276	1,414	1,573	956	1,147	679
68	2,118	138	2,189	266	1,118	521			1,217	811		
69			1,434	137	1,494	490						

70			1,188	127			1,364	982				
71											5,745	3,672
72	9,117	537	2,912	338	4,889	1,988	2,617	1,637	13,997	9,032	7,712	4,946
73			1,189	124					1,779	1,229	1,241	833
74					1,115	339	1,341	808	1,259	752	1,020	597
75	3,435	199	3,616	418	2,935	1,132	2,054	1,269				
76			1,039	99	1,157	440			1,388	907	1,016	647
77	1,225	64	1,387	137	1,330	419						
78			1,591	179	1,740	897	1,053	732				
79									2,096	1,405		
80									1,819	1,203		
81					2,197	952	1,202	811	1,063	679		
82							1,848	1,348	1,099	729		
83	3,765	221	4,972	597	5,795	2,253	4,011	2,541	2,764	1,730	2,722	1,703
84	1,687	93	3,004	334	4,005	1,818	3,590	2,267	3,962	2,509	3,102	1,950
85	1,510	82	2,624	292	2,572	999	1,675	1,022	2,145	1,281	1,198	718
86	2,863	175	3,426	411	4,086	927	1,635	1,027				
87	1,060	64	1,744	200					1,104	728		
88			1,023	90	1,414	353						
89					1,200	667						
90							1,064	752	1,823	1,262	1,103	738
91											1,130	757
92											1,238	738
93	2,542	273	3,917	447	4,743	1,964	3,930	2,488	3,229	2,032	1,925	1,185
94	1,293	79	1,404	154	1,557	831	1,386	991	1,822	1,257	1,402	950
95					1,203	567			1,640	1,102		
96			1,081	113			1,239	887				
97			1,345	136	1,557	666	1,761	1,202	1,310	759		
98									1,781	1,216		
99									2,113	606		
100					1,218	79						
101					1,165	146			1,362	916		
102	1,843	118	5,196	708	1,254	523						
103									1,437	982		
104			1,556	152	2,531	655						
105					1,320	459	1,192	711				
106			2,552	320	2,801	1,696						
107									1,478	819		
108			1,586	164	1,938	575	1,441	875	1,039	609		
109			2,076	208	1,819	357						
110							1,040	681	1,153	784		
111			8,983	1,106	1,005	184						
112			1,485	138	1,208	327						
113									1,175	787		
114									1,197	806		
115					1,068	365						
116	1,158	63			1,379	123						
117	1,619	92	1,826	192	1,334	392	1,091	643				
118			1,212	127	1,028	391						
119	1,386	75	1,030	86	1,153	211						
120	2,427	149	9,102	1,283	2,513	1,317	2,224	1,541				

STATISTICAL SECTION—INCOME TAX UNIT—Continued

Individuals reporting net income of $1,000,000 or over for any of the years 1917–20.—Showing for 181 individuals listed by serial number, for the years for which the net income was $1,000,000 or over, the net income and the tax reported on the returns as filed and prior to any subsequent adjustment—Continued

[Thousands of dollars]

Serial no.	1915		1916		1917		1918		1919		1920	
	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax	Net income	Tax
121			1,494	167	1,189	417						
122					1,605	1,085						
123					1,191	478						
124			1,452	133	1,201	352						
125			2,418	252	1,764	637						
126	2,484	139	2,444	256	1,579	544						
127									2,251	626		
128	1,281	76	1,270	129	1,583	641						
129	1,084	55	2,865	319	1,473	555						
130									1,210	816		
131					1,035	279						
132							1,644	1,196				
133							1,625	1,184				
134					1,182	419						
135	1,392	78	1,005	85	1,123	311	1,532	509				
136			1,019	91	1,073	333	1,106	686				
137					1,657	957						
138	22,703	1,415	32,781	4,349	34,937	13,065	22,398	14,559	15,971	10,315	7,198	4,606
139			2,005	230	1,856	656	4,019	2,563	6,693	4,285	9,275	5,962
140	1,225	64	1,987	196	1,719	517	1,263	758				
141							1,642	1,193				
142					2,123	1,432	1,559	1,132	1,757	1,211	3,111	2,201
143	1,552	84	1,724	166	1,901	926	1,291	773	1,555	944	1,398	842
144	1,351	71	1,310	117	1,618	555						
145	2,614	169	4,014	533	1,885	799	1,633	1,138				
146					1,041	271						
147			1,262	133					3,165	2,240		
148			1,367	150					3,112	1,012		
149			1,012	85	1,187	442						
150			1,012	89	1,398	359						
151	1,118	68	2,954	376	1,225	548	1,042	703				
152	1,830	104	2,532	284	2,098	828			1,513	925		
153	1,877	120	3,339	434					1,938	1,320		
154	2,431	159	4,955	672	2,056	1,093	1,810	1,256				

155	1,032	52	1,346	122	1,123	379	1,224	748				
156	1,188	62	1,008	87	1,115	221						
157			1,025	90	1,403	360						
158	1,811	99	2,310	239	2,384	1,057	1,623	988				
159			1,064	88	1,203	263						
160	2,035	117	2,587	281	3,102	1,188	2,605	1,627				
161	2,826	163	3,852	450	2,743	901	2,633	1,677			1,642	949
162									1,337	869		
163			1,609	162	1,541	513	1,097	653	1,129	672	1,192	721
164							1,110	782				
165							1,359	822	1,396	844	1,453	883
166									1,170	782		
167											1,030	617
168	2,340	135	3,103	354	2,996	1,049	1,421	857				
169	1,990	110	4,306	515	10,674	1,448	2,902	1,838	5,467	3,594	3,004	1,886
170			1,533	152	1,388	462	1,408	851				
171					1,651	778	1,213	833				
172	1,317	70	4,250	491	4,769	1,223						
173	1,208	69	1,371	133	1,486	644	1,055	648				
174							1,130	751				
175					1,252	214						
176	3,784	224	7,356	967	4,382	1,882						
177					1,286	133						
178	1,565	84	1,440	131	1,962	198						
179	1,765	106	2,383	274	1,272	529	1,602	678			1,188	706
180											1,057	704
181			2,134	(1)	1,252	(1)						

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[1] Fiduciary return. Income distributed to beneficiaries. No tax on fiduciary return. Tax was reported on returns filed by beneficiaries.

(The following lists of stockholders in Hercules and Atlas Powder Co.'s was requested of the du Pont Co. by the committee. See text, p. 2936.)

Stock and number of shares of Hercules Powder Co. held by officers and directors of E. I. du Pont de Nemours & Co. as of Jan. 1, 1917

Name	Common		Preferred
	Voting	Non Voting	
P. S. du Pont	753	1,772	28
H. M. Barksdale	299	0	1,049
C. L. Patterson	113	0	885
Irénée du Pont	748	602	0
J. A. Haskell	0	0	53
E. G. Buckner	0	0	100
Frank L. Connable	0	0	0
Lammot du Pont	1,100	0	0
William Coyne	0	0	0
H. F. Brown	0	0	18
H. G. Haskell	147	0	0
R. R. M. Carpenter	438	0	0
F. G. Tallman	0	0	0
Alexis I. du Pont	243	245	355
John J. Raskob	0	0	0
A. Felix du Pont	286	0	0
Henry Belin, Jr	0	0	470
J. P. Laffey	32	0	57
H. F. du Pont	10	0	5
Eugene du Pont	251	253	367
Eugene E. du Pont	72	28	0
Total	4,492	2,900	3,387

Stock of Atlas Powder Co. held by officers and directors of E. I. du Pont de Nemours & Co. as of Jan. 1, 1917

	Office	Preferred $100 par value	Voting common $100 par value	Nonvoting common $100 par value
Pierre S. du Pont	President and director	304	2,436	1,421
Hamilton M. Barksdale	Vice president and director	1,444	255	24
Charles L. Patterson	do	499	13	----------
Irenee du Pont	do	----------	375	225
J. Armory Haskell	do	25	----------	----------
E. G. Buckner	do	150	----------	----------
Frank L. Connable	do	44	27	----------
Lammot du Pont	do	20	240	----------
William Coyne	do	----------	----------	----------
H. F. Brown	do	104	----------	----------
Harry G. Haskell	do	33	50	----------
R. R. M. Carpenter	do	26	----------	----------
F. G. Tallman	do	7	200	----------
Alexis I. du Pont	Secretary	275	170	149
John J. Raskob	Treasurer	----------	----------	----------
A. Felix du Pont	Director	294	23	----------
Henry Belin, Jr	do	335	356	----------
J. P. Laffey	do	32	21	----------
H. F. du Pont	do	1,505	4	----------
Eugene du Pont	do	282	177	128
Eugene E. du Pont	do	900	----------	----------
Total		6,279	4,347	1,947

The following copies of du Pont Executive Committee minutes were submitted in response to a committee request. See text, p. 2941.)

E. I. du Pont de Nemours & Co. Executive Committee

QUESTION OF INCREASING OUR MILITARY POWDER CAPACITY

At this point discussion again ensued as to the question of increasing our military powder capacity in order to take care of prospective orders, as a result of which the following resolution was offered and unanimously adopted:

Resolved, That Vice President H. F. Brown request the engineering department to present to this committee as soon as possible, and not later than next Monday, June 11, an appropriation request to cover the cost of building additional smokeless-powder capacity at Carney's Point, Haskell and Parlin to utilize the guncotton capacity at Hopewell not now being utilized (estimated at about 5,000,000 pounds per month), this additional capacity to be completed ready for operation by October 1, 1917, with the understanding that the company will be assisted by the United States Government in expediting the delivery of the equipment necessary to be employed in this construction.

After further discussion, the following resolution was offered and unanimously adopted:

Whereas, the best information we get from Washington leads us to believe that should the war continue it is quite likely we shall be called upon to supply 10,000,000 pounds of smokeless powder per month in addition to our present capacity and the capacity required to utilize the guncotton capacity at Hopewell not now being utilized;

Resolved, That the smokeless powder operating department be requested to study this problem with a view to having this additional capacity available by November 1, 1917, and make a report to this committee as soon as possible with recommendations.

This is to certify that the foregoing are true and correct copies of resolutions unanimously adopted by the Executive Committee of E. I. du Pont de Nemours & Co. at a meeting held on June 4, 1917.

M. D. Fisher,
Assistant Secretary, E. I. du Pont de Nemours & Co.

Extract from Minutes of Meeting of Executive Committee of E. I. du Pont de Nemours & Co. Held on June 7, 1917

QUESTION OF INCREASING OUR SMOKELESS POWDER CAPACITY

After full discussion, the following resolution was offered and unanimously adopted:

Whereas, the military sales department advises us that our entire output of smokeless powder up to April 1, 1918, has been sold, except 128,000,000 pounds (counting as sold the offerings of 58,850,000 pounds to the United States Government which are awaiting governmental appropriations before final acceptance); and

Whereas, we have at Hopewell guncotton capacity sufficient to manufacture approximately 5,200,000 pounds of nitrocellulose powder per month; and

Whereas, Vice President H. F. Brown advises that smokeless powder capacity can be added to Carney's Point Haskell, and Parlin sufficient to manufacture 5,200,000 pounds of nitrocellulose powder per month, at a cost, based on engineering department estimate of $3,050,000 (of which amount approximately $1,000,000 will have to be spent in any event to provide additional power equipment) to which amount it may be necessary to add approximately $1,220,000 to cover cost of a plant to make up the sulphuric acid deficiency in the manufacture of the extra 5,200,000 pounds of guncotton per month; and

Whereas, this additional capacity can likely be available for production on or about October 1, 1917, thus giving added capacity of approximately 75,000,000 pounds of smokeless powder to the end of 1918; therefore, be it

Resolved, That the military sales department be advised of this condition, and that the executive committee are ready to proceed immediately with this construction work provided the cost can be amortized over orders which the Allies may be willing to give should they deem it desirable and advisable to have this increased capacity.

This is to certify that the foregoing is a true and correct copy of extract from minutes of meeting of Executive Committee of E. I. du Pont de Nemours & Co. held on June 7, 1917.

W. D. FISHER,
Assistant Secretary, E. I. du Pont de Nemours & Co.

EXTRACT FROM MINUTES OF MEETING OF EXECUTIVE COMMITTEE OF E. I. DU PONT DE NEMOURS & CO., HELD ON JUNE 26, 1917

MILITARY POWER SITUATION—QUESTION OF INCREASING SMOKELESS-POWDER CAPACITY TO UTILIZE HOPEWELL'S EXCESS GUN COTTON CAPACITY OF 5,000,000 POUNDS PER MONTH NOT NOW BEING UTILIZED

In compliance with action taken at meeting June 18, report was received from the chairman dated June 21, 1917 (no. 8756), in regard to the contract between the Hercules Power Co. and the Du Pont Co., whereby the latter agreed to furnish the Hercules Co. with 2,000,000 pounds of gun cotton per month. The chairman stated that he had taken the matter up with Judge Laffey, who advises that the quedtion is not one of law but of fact, i. e., what was intended in the arrangement which was largely oral between Hercules and Du Pont. The chairman further stated that he also took the matter up with Mr. R. H. Dunham, president of the Hercules Co., who definitely stated that although the contingency of the war continuing for a long period and the Hercules Co. being out of orders for a length of time during the war, were not considered, he is sure that had it been considered, Hercules would have insisted that they have the call on the output of the plant which they propose to amortize in the orders given to Du Pont during the whole period of the war. The chairman further stated that he was inclined to think that Du Pont would have acquiesced in that demand, as the only alternative was that of building a plant for Hercules at their cost away from Hopewell, which would have involved an engineering burden which we were loath to take on; that such being the case, he was inclined to think that we should asquiesce in Mr. Dunham's demand; that if, however, the United States Government has need of the capacity which is temporarily held idle he thought we could properly go to Hercules and lay the facts before them, at which time some mutually satisfactory adjustment could be made.

After discussion it was moved and unanimously carried that this communication be accepted and ordered filed, and the opinion expressed by the chairman approved.

This is to certify that the foregoing is a true and correct copy of extract from minutes of meeting of executive committee of E. I. du Pont de Nemours & Co. held on June 26, 1917.

M. D. FISHER,
Assistant Secretary, E. I. du Pont & Co.

(The following information was requested of the du Pont Co. by the committee. See text, p. 2958.)

Officers and Directors of E. I. du Pont de Nemours & Co., Year 1917, and Proposed Officers and Directors of Du Pont Engineering Co. as Set Forth in Contract Dated Oct. 5, 1917, Between E. I. du Pont de Nemours & Co. and the United States Government, with Respect to the Construction and Operation of a Smokeless Powder Plant to Cost Approximately $90,000,000

	E. I. DU PONT DE NEMOURS & CO.	DU PONT ENGINEERING CO.
President	P. S. du Pont	P. S. du Pont
Vice president	H. M. Barksdale	Irenee du Pont
	C. L. Patterson	E. G. Buckner
	Irenee du Pont	H. F. Brown.
	J. A. Haskell	
	E. G. Buckner	
	Frank L. Connable	
	Lammot du Pont	
	William Coyne	
	H. F. Brown	
	H. G. Haskell	
	R. R. M. Carpenter	
	F. G. Tallman	
Secretary	Alexis I. du Pont	Alexis I. du Pont
Treasurer	John J. Raskob	John J. Raskob
Directors	P. S. du Pont	P. S. du Pont
	J. A. Haskell	Irenee du Pont
	H. M. Barksdale	E. G. Buckner
	C. L. Patterson	Frank L. Connable
	Irenee du Pont	John J. Raskob
	E. G. Buckner	Alexis I. du Pont
	Frank L. Connable	Lammot du Pont
	John J. Raskob	William Coyne
	Alexis I. du Pont	H. F. Brown
	Lammot du Pont	H. G. Haskell
	A. Felix du Pont	R. R. M. Carpenter
	William Coyne	J. P. Laffey
	H. F. Brown	F. G. Tallman
	H. G. Haskell	H. M. Pierce
	R. R. M. Carpenter	
	Henry Belin, Jr.	
	J. P. Laffey	
	H. F. du Pont	
	F. G. Tallman	
	Eugene du Pont	
	Eugene E. du Pont	

[Note.—It will be observed that the proposed officers of the Du Pont Engineering Co. were likewise officers of E. I. du Pont de Nemours & Co. All of the directors of the proposed Du Pont Engineering Co. were likewise directors of E. I. du Pont de Nemours & Co. except H. M. Pierce.]

(The following information was requested of the du Pont Co. by the committee. See text, p. 2963.)

E. I. du Pont de Nemours & Co.,
Wilmington, Del., April 17, 1935.

United States Senate, Special Committee Investigating
The Munitions Industry,
Washington D. C.

Gentlemen: As of November 30, 1917, the number of stockholders of E. I. du Pont de Nemours & Co. was as set forth below:

Common stock	2,259
Debenture stock	4,333

As requested by you, we also list below the ten largest stockholders of E. I. du Pont de Nemours & Co. as of November 30, 1917:

COMMON

Du Pont Securities Co.
Alfred I. du Pont.
William du Pont.
Pierre S. du Pont.
Henry F. du Pont.
Fidelity Trust Co., Tr. u/w Alexis I. du Pont.
Francis I., A. Felix, and Ernest du Pont, Tr. u/w Francis G. du Pont.
E. I. du Pont de Nemours & Co.
Amelia E. du Pont.
Ralph H. Ensign.

DEBENTURE

E. I. du Pont de Nemours Powder Co.
Francis I., A. Felix, and Ernest du Pont, Tr. u/w Francis G. du Pont.
Henry F. du Pont.
Fidelity Tr. Co. Trustee u/w Alexis I. du Pont.
E. E. Beach.
E. I. du Pont de Nemours & Co.
Amelia E. du Pont.
E. G. Buckner.
John L. Riker.
Estate of H. M. Boies.

A. C. Nielsen, *Comptroller.*

The following information is included in the record at the request of Julius Forstmann in connection with "Exhibit No. 1112":

Cable Address, Forstmann, Passaic.

Julius Forstmann,
Passaic, N. J., December 21, 1934.

Chairman, Senate Munitions Committee,
Senate office Building, Washington, D. C.

Sir: In the newspapers of Friday, December 14, my name is mentioned as one of a number of citizens whose incomes during all or part of the years from 1915 to 1920 exceeded one million dollars. This information was made public at the instance of your committee during an investigation of the munitions industries, with which I have never had any connection whatever.

In order to correct the false impression which the publication of my name at this time may have created, I am enclosing herewith a letter dated December 20, 1934, from the firm of Lybrand, Ross Bros. & Montgomery, accounts, certifying that the company, of which I am founder and president, made no profits on the contracts for uniform cloths, which were the only contracts it ever made with the United States Government. It certifies also that neither the company nor I personally have ever had any shares or interest in any concern manufacturing munitions of war.

When the United States entered the World War, the Forstmann Woolen Co. (formerly Forstmann & Huffmann Co.) began the manufacture of uniform materials at the request of the Government. Later, at the invitation of the Senate Military Affairs Committee, I testified regarding the practicability and serviceability of uniform cloths as they were then being manufactured. Shortly thereafter I was asked by Major General George W. Goethals, newly appointed Quartermaster General, to suggest revised specifications. I submitted new specifications which were adopted as standards on which all succeeding contracts for Army uniform materials were made. After peace was declared my company received from the War Department the Distinguished Service Certificate with a letter citing the reasons for the award, both of which I attach to this letter.

Our production of uniform cloths for the Government during the participation of the United States in the World War was the only time we have ever produced materials for military purposes either for the United States or for any other government.

Since these facts have at all times been available to your committee, or to anyone else interested in them, it is only fair that they be placed in your records.

Very truly yours,

Julius Forstmann.

Lybrand, Ross Bros. & Montgomery,
Accountants and Auditors,
90 Broad Street, New York, December 20, 1934.

Resident partners:
William M. Lybrand,
Robert H. Montgomery,
Walter A. Staub,
H. Hilton Dumbrille,
Thomas B. G. Henderson,
Prior Sinclair,
Hermon F. Bell,
Norman J. Lenhart,
Conrad B. Taylor.

Mr. Julius Forstmann,
Passaic, N. J.

Dear Sir: As requested by you, we have reviewed our records in connection with the examinations made by us for the year 1917 and subsequent years as auditors of Forstmann and Huffmann Company and its successor, Forstmann Woolen Company, both of which companies were controlled and managed by you and furnished the principal source of your income.

During the year 1919 and subsequently we made an investigation of the financial results of the contracts entered into by your company with the United States Government during 1917 and 1918 for the manufacture of Army uniform material. This investigation disclosed that:

1. The net profit resulting to the company from the said contracts was approximately 2 percent of the contract price;

2. The company had to cancel a number of profitable civilian orders in order to undertake the Government contracts, and that the profit which would have resulted from the civilian orders would have been far in excess of the small profit obtained from the Government contracts, so that the undertaking of the Government contracts caused the company to sustain a loss of profits which could otherwise have been earned.

3. The company had contracted for materials in anticipation of manufacturing further supplies of army uniform material which it had been informed by the Government would be required in considerable quantities and no reimbursement was ever received for the loss sustained on the disposition or utilization of such materials.

4. No reimbursement was ever received for the expense and loss of profits occasioned by the transfer of mill operation from civilian business to the manufacture of army uniform material, or from the sudden reversion from

manufacture of such material to civilian goods at the time of the armistice, without any opportunity for securing sufficient orders for civilian goods in preparation for such change. The loss on materials referred to under 3 and the expense resulting from the conversion of mill operation from manufacturing army material to civilian goods was, in our opinion, substantially in excess of the small amount of profit derived from war contracts.

We are of the opinion that the profits earned by the company during the war years, which were derived from civilian business, were not in any way excessive considering the size and character of production of the company's mills, as is indicated by the fact that for a number of years following the termination of the war the company's profits were materially larger than during the war years.

We further state that the company has owned no shares of stock or other interest in any concern manufacturing munitions of war either during the war years or since.

Very truly yours,

Lybrand, Ross Bros. & Montgomery.

CBT:C

Supply Division, General Staff.

War Department,
Office of the Chief of Staff,
Washington, May 27, 1922.

Forstmann & Huffman Company,
Passaic, New Jersey.

Gentlemen: In accordance with recommendation of the Quartermaster General, a certificate of merit has been awarded and will be sent you under separate cover.

The citation by the Quartermaster General is as follows:

"This company gave practically the entire capacity of their plant for the period of the emergency in the manufacture of materials for uniforms and overcoats. The quantity of the work performed was large, the character of the services was excellent, and the company executed its contracts with the Government in a manner highly satisfactory to all concerned."

It is very gratifying to me to be enabled to transmit this visible recognition of patriotic war service.

Yours very truly,

W. D. Connor,
Brigadier General, Assistant Chief of Staff, G-4,
By Joseph F. Barnes,
Lieutenant Colonel, General Staff, Executive.

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MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE
SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 14

DECEMBER 14, 1934

OLD HICKORY CONTRACT (Continued)

Printed for the use of the
Special Committee Investigating the Munitions Industry

UNITED STATES
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MUNITIONS INDUSTRY

U.S. Congress. Senate

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 14

DECEMBER 14, 1934

OLD HICKORY CONTRACT (Continued)

Printed for the use of the
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CONTENTS[1]

Testimony of— Page

- Banker, W. B., assistant chief engineer, E. I. du Pont de Nemours & Co ---- 3167, 3169
- Bradway, F. W., assistant general manager, smokeless-powder department, E. I. du Pont de Nemours & Co ---- 3182
- Brannon, Lt. E. M., first lieutenant, Infantry, in the Judge Advocate General's Department ---- 3180
- Carnduff, Arthur, special attorney, Bureau of Internal Revenue ---- 3232, 3235, 3237, 3240, 3243, 3248, 3256,3259
- du Pont, Irénée, vice chairman of board of directors, E. I. du Pont de Nemours & Co ---- 3170 3171, 3173, 3177, 3182, 3183, 3190, 3196, 3199, 3204, 3206, 3210, 3215, 3217, 3222, 3224, 3242, 3248
- du, Lamont, president E. I. du Pont de Nemours & Co ---- 3167
- du Pont, Pierre S., chairman of board of directors, E. I. du Pont de Nemours & Co ---- 3168, 3170, 3173, 3176, 3179, 3182, 3187, 3191, 3196, 3197, 3200, 3205, 3208, 3211, 3213, 3217, 3223, 3225
- Eliason, J. Bayard, treasurer E. I. du Pont de Nemours & Co ---- 3195, 3209
- Gregg, William S., attorney, E. I. du Pont de Nemours & Co ---- 3172, 3178, 3181, 3219, 3222, 3224, 3226, 3229, 3233, 3236, 3253, 3258
- Harris, Lt. Col. C. T., in the planning branch, office of the Assistant Secretary of War ---- 3180, 3185, 3191, 3210, 3212, 3235
- Moore, R. M., chief division of records, Department of Justice ---- 3240
- Nielsen, A. C., comptroller E. I. du Pont de Nemours & Co ---- 3167, 3222, 3225

War Industries Board objections to compensation demanded by du Pont Co ---- 3173

Continuance of negotiations on part of Ordnance Department ---- 3179

Offer of Secretary of War Baker to pay $1,000,000 and to arbitrate as to balance ---- 3184

Delay in construction for 3 months due to disagreement as to amount of compensation to du Pont Co ---- 3191

Secretary of War notified du Pont Co. that negotiations were closed ---- 3210

Formal contract executed shortly after resumption of negotiations ---- 3215

Amended contract executed 3 months later ---- 3220

Profits of du Pont for construction and operation of Old Hickory ---- 3222

Mason and Hanger subcontract fee of $1,000,000 ---- 3225

Auditing of Old Hickory contract ---- 3231

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[1] In cases of exhibits comprised of excerpts from the minutes of certain war-time civilian boards only such parts as were actually entered into in the hearings have been published in the appendix. At a later date the committee ordered to be printed separately as committee prints the minutes of the following agencies: War Industries Board, Price Fixing Committee of the War Industries Board, Council of National Defense, Advisory Commission of the Council of National Defense, Munitions Standards Board, General Munitions Board.

INVESTIGATION OF MUNITIONS INDUSTRY

FRIDAY, DECEMBER 14, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10 a. m., in the Finance Committee room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), Clark, Pope, Vandenberg, and Barbour.

Present also: Alger Hiss, legal assistant to the committee.

The Chairman. The committee will be in order.

At this point the committee concluded that part of the testimony which is incorporated in Part XIII of these hearings, "Profiteering, Government Contracts, and Expenditures during the World War, Including Early Negotiations for Old Hickory Contract."

TESTIMONY OF IRÉNÉE DU PONT, PIERRE DU PONT. LAMONT DU PONT, WILLIAM S. GREGG, J. BAYARD ELIASON—Recalled

(The witnesses were previously duly sworn by the chairman.)

Mr. Lammot du Pont. Mr. Chairman, before you start on your line of inquiry today——

The Chairman. It was just suggested that there were two witnesses whom we might be calling on during the day, or who might have occasion to offer testimony, and we would like to swear them. If you will give your name to the reporter.

Mr. Banker. W. B. Banker.

The Chairman. And your official connection with the du Pont Co.?

Mr. Banker. Assistant chief engineer.

The Chairman. And your name [referring to second witness]?

Mr. Nielsen. A. C. Nielsen.

The Chairman. And your official capacity?

Mr. Nielsen. Comptroller of the du Pont Co.

TESTIMONY OF W. B. BANKER AND A. C. NIELSEN

(The witnesses were duly sworn by the chairman.)

The Chairman. Now, Mr. du Pont.

Mr. Lammot du Pont. Senator, this matter refers to a previous hearing. In the September hearings your committee asked us to give our views on the munitions question.

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. We prepared a letter under date of November 14, which was sent to you and the other members of your committee, and I would like to have that letter submitted as an exhibit and given an appropriate number.

The CHAIRMAN. The Chair has been advised that that has already been done. Likewise that was done with the communication from the United Aircraft Corporation. For a time it was thought advisable to delay entry into the record until we reached the point in our enquiry where we were going to sit down to the technical consideration of ways and means and plans, as the committee has in mind, but it is a part of the record and will appear in the volumes covering the September hearings.[1]

Mr. LAMMOT DU PONT. As an exhibit?

The CHAIRMAN. As an exhibit.

Mr. LAMMOT DU PONT. Thank you.

The CHAIRMAN. You may proceed, Mr. Hiss.

Mr. PIERRE DU PONT. Mr. Chairman, before we commence with Mr. Hiss' examination, I would like to call attention to one or two exhibits which were presented yesterday. First the exhibit showing the proposition submitted by the du Pont Company, October 8, with regard to the building of a smokeless powder factory. I, unfortunately, have not the number here.[2]

Mr. HISS. Yes; Mr. du Pont.

Mr. PIERRE DU PONT. I wish to call attention to paragraph 9 of that exhibit, on page 5. It states:

> While this proposition contemplates the construction and operation of plants with a total capacity of approximately one million pounds of water-dried smokeless cannon powder per day, it is understood that in case the Government desires plants constructed and operated with a lesser total capacity, the terms and conditions of this proposal will apply to any such plant or plants of lesser capacity.

That is, it was for the whole or part of the proposition.

Then at the recommendation of the War Department it was changed to a definite 1,000,000 pounds per day, when the contract of October 25 was drawn—not at our instance.

I would also like to call attention to a letter of November 1, 1917,[3] a letter addressed to Colonel Buckner by the president of the du Pont company, at the bottom of page 1, referring to the drawings [reading]:

> The engineering and mechanical work necessary for making drawings of apparatus is completed. These drawings could not be prepared anew without great expense and greater loss of time due to difficulty of obtaining draftsmen for work on the scale required. I mention that the blueprints used for our factories would cover some sixty acres of ground if spread out, giving some idea of the enormous work involved in that preparation, and in the great saving to the Government in both time and money in having this material at hand.

That is the drawings of the apparatus.

Yesterday we took up the question of the completion of the drawings. You will note that these are the drawings of the apparatus. And as the site was not chosen until later, none of these drawings could apply to the site chosen. Therefore, all the drawings relating to surveys and placing of the buildings and apparatus on the ground were still incomplete on November 1.

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[1] Hearings, Part V, text p. 1260, appendix p. 1411.
[2] "Exhibit No. 1126", Hearings, Part XIII, p. 2946.
[3] "Exhibit No. 1132", Hearings, Part XIII, p. 2961.

Mr. Hiss. May I ask one or two questions about that, to be sure I understand, Mr. du Pont?

Mr. Pierre du Pont. Yes.

Mr. Hiss. The first sentence says: "The engineering and mechanical work necessary for making drawings of apparatus is completed" and those last two words are underscored.

Mr. Pierre du Pont. Yes.

Mr. Hiss. This is November 1, and the point we were specifically discussing yesterday was a rather technical legal one, of how far the completion had progressed on October 25.

Mr. Pierre du Pont. Yes.

Mr. Hiss. As I remember it, you said you could not be sure; you did not remember. I then intended to ask—I am not sure that I made it clear—how long a job engineering and mechanical work necessary for making drawings of apparatus is, and whether it could be completed in the short space of time between October 25 and November 1. And, as I remember it, you indicated that you hardly thought it could be completed in that period of time. Is that correct?

Mr. Pierre du Pont. Yes, sir; that is the whole drawings. This relates to the drawings of the apparatus only.

Mr. Hiss. I meant merely the engineering and mechanical work necessary for making drawings.

Mr. Pierre du Pont. May I say, Mr. Hiss, I am not competent to express an opinion on this. What I would say would be a mere guess, and if agreeable you may refer in the record to any information given, that it should be marked as a guess or stricken out.

Mr. Irénée du Pont. Will you ask Mr. Banker approximately how many man-hours it would take to do the drawings for the buildings of the Old Hickory plant?

Mr. Hiss. Mr. Banker, the first sentence of the paragraph to which Mr. Pierre du Pont has called attention reads as follows, referring to the bottom paragraph on the first page:

> The engineering and mechanical work necessary for making drawings of apparatus is completed.

Could you give an estimate of how long it would have taken the force then assembled in the du Pont Co. to do the work referred to in that first sentence?

Mr. Banker. I am not sure that I know just what that first sentence means. "The engineering and mechanical work necessary for making drawings of apparatus is completed."

Mr. Hiss. Had not the company already that experience from its previous manufacturing of apparatus for its own plants?

Mr. Banker. We had a number of drawings for apparatus which had to be adapted, early drawings, to a specific site.

Mr. Hiss. In respect to the apparatus as well as buildings that is true, is it?

Mr. Banker. Yes, sir.

Mr. Hiss. You say that you had drawings completed and they needed to be adapted. Which is referred to here, merely the drawings, the work necessary for adaptation, or the work necessary for the original drawings?

Mr. Banker. The work necessary for adaptation in a majority of the cases. In certain cases we had to design for that specific plant; we had to design apparatus for that specific job.

Mr. Hiss. The second sentence, Mr. Pierre du Pont, says [reading]:

> These drawings could not be prepared anew without great expense and greater loss of time, due to difficulty of obtaining draughtsmen for work on the scale required.

I take it to mean that there had been considerable completion on this work of drawings.

The third sentence says [reading]:

> I mention that the blueprints used for our factories would cover some 60 acres of ground—

these are blueprints already in existence which would be adaptable for use of other factories; is that correct?

Mr. Pierre du Pont. I am sorry.

Mr. Hiss. The third sentence says [reading]:

> I mention that the blueprints used for our factories would cover some 60 acres of ground.

That means your then-existing factories?

Mr. Pierre du Pont. Yes, sir.

Mr. Hiss (reading):

> * * * would cover some 60 acres of ground.

I judge that they are implying in that sentence that the experience that your company has had in building plants would enable you to do the work of building Old Hickory more quickly than any other company. Is that correct?

Mr. Pierre du Pont. I think that would be true; yes, sir.

Mr. Hiss. Therefore, what you would be selling in this case would be your experience rather than specific work?

Mr. Irénée du Pont. Experience was certainly enormously valuable.

Mr. Hiss. In regard to the 60 acres of blueprints, you would not have to duplicate them?

Mr. Irénée du Pont. A great many of them were standard. If you would like to see the drawings, we can get a freight car and bring them down.

Mr. Hiss. I do not think that is necessary.

Yesterday there was a reference to advances made by the United States Government to the du Pont Co. during the war for various purposes, and a statement was to be furnished to the committee as to that. In the meantime, I have found a document which we had received earlier, prepared by the publicity bureau of the du Pont Co. in 1922, which I will offer as an exhibit together with the statement of advances.

(The documents referred to were marked "Exhibit No. 1138" and are included in the appendix on p. 3261.)

Mr. Hiss. The last complete paragraph on page 1 says [reading]:

> The money advanced by the United States Government to E. I. du Pont de Nemours & Co. (hereinafter referred to as du Pont Co.) was used for the purchase of raw materials for the fulfillment of contracts to supply the Government with explosives—

From that sentence I would judge that advances were made to the parent company for the manufacture of explosives, just as European governments made advances.

Mr. PIERRE DU PONT. No; not all. I think these advances were payments on materials ordered or delivered. I am not sure at just what point. But there were no such advances made as in the case of European governments, lump sums prior to the starting of construction or operation.

Mr. HISS. The first complete paragraph on page 2 at the bottom says, Mr. Pierre du Pont——

Mr. PIERRE DU PONT. The statement will stand itself, if there is a detail of it.

Mr. HISS. Will you turn to page 2 of the memorandum?

Mr. PIERRE DU PONT. I think there were no cases of advances complete on 50 percent of the contract.

Mr. HISS. If we can just stick to this memorandum.

Mr. PIERRE DU PONT. Yes, sir, Mr. Hiss.

Mr. HISS. The first complete paragraph on page 2 [reading]:

> The records show that the $54,807,380.83 advanced to the du Pont Co. has been completely liquidated and accounted for by the completion of contracts, the delivery of material, the settlement of claims, or the return of cash to the United States Treasury.

This is in 1922. [Continuing reading:]

> To a subsidiary of the du Pont Co., viz, the du Pont Engineering Co., the Government advanced money to be used and which was used only in connection with the construction and operation of Government-owned plants.

In addition to the Old Hickory plant, your company operated on behalf of the Government and constructed on behalf of the Government other plants?

Mr. PIERRE DU PONT. Yes.

Mr. HISS (continuing reading):

> For the construction of Government-owned plants the du Pont Engineering Co. received direct advances from the War Department totaling $24,506,250 and in addition thereto the sum of $160,579.87, making a total of $24,666,829.87. * * *
>
> The remainder of the funds advanced by the Government to the du Pont Engineering Co., viz, $20,667,800, was advanced for use in the procurement of raw materials * * *.

In other words, a total of $45,000,000 and some odd hundred thousands was advanced to the du Pont Engineering Co. in connection with the half dozen or so contracts which you had with the Government for construction or operation of the plants. Is that correct?

Mr. PIERRE DU PONT. I am not sure what you mean by "advances."

Mr. IRÉNÉE DU PONT. Could I refresh Pierre's memory? At the time we actually started to build at cost plus $1 the Old Hickory plant, the Government put in our hands a revolving fund of, I think, roughly, $18,000,000, from which we paid vouchers, and they replenished the fund as they approved the vouchers. I think in a short time it demonstrated that the machinery of the Government could not replenish it fast enough, and it was increased later. There was a rotating fund of the same kind, 18 or 19 million dollars, at

Old Hickory. It was not an advance to build a plant ourselves, like the Allies did in the photostat yesterday.

Mr. Hiss. That is correct.

Mr. Irénée du Pont. It was a rotating fund which was the Government's, but which we could draw on until they replenished it, until they passed the vouchers.

Mr. Pierre du Pont. Are you sure of that?

Mr. Gregg. I think I can state that.

Mr. Pierre du Pont. Mr. Gregg has studied it.

Mr. Gregg. On the contract under construction the Government advanced to the du Pont Co. $18,875,000 in one sum, and that was used as a revolving fund. As we paid bills out of that amount, the Government representatives checked those bills; and if they approved them, then they paid us the amount of those bills. In other words, this $18,875,000 was used as a revolving fund on account of construction.

Senator Pope. Was there an additional fund?

Mr. Gregg. There was an additional fund.

Mr. Hiss. Equal in amount, was it not?

Mr. Gregg. On operation, a little bit higher. As I recall it, on operation.

Senator Clark. This fund of $18,875,000 was simply a construction fund?

Mr. Gregg. That is correct.

Senator Clark. And had nothing to do with operation?

Mr. Gregg. That is correct.

Senator Pope. And another fund for operation?

Mr. Gregg. For operation there was an advance, as I recall it, of $18,954,000, which was used in the same way in connection with operations.

Mr. Hiss. In addition to the advances on Old Hickory there were also, as this memorandum implies, advances in connection with the construction of other Government plants?

Mr. Gregg. There were advances.

Mr. Hiss. On the same basis as in the Old Hickory contract?

Mr. Gregg. That is correct.

Mr. Hiss. The total of which as stated in this memorandum was $45,334,000, instead of the $37,000,000 advanced on Old Hickory? Is that correct?

Mr. Gregg. The total advances to du Pont Engineering Co. from all contracts were $45,334,629.87.

Mr. Hiss. Correct.

Mr. Pierre du Pont. You understand, Mr. Hiss, this is quite a different proposition from the foreign governments, in which a percentage of the total contract was deposited, anywhere from 25 to 50 percent.

Mr. Hiss. The last complete paragraph on page 3 of this memorandum says:

> To another subsidiary of the du Pont Co., viz., the du Pont American Industries, Inc., the Government advanced $5,400,000, to be used by the du Pont American Industries, Inc., as agent for the United States, in the purchase of cotton linters for the United States and its Allies.

Mr. Gregg. That is correct.

WAR INDUSTRIES BOARD OBJECTIONS TO COMPENSATION DEMANDED BY DU PONT CO.

Mr. HISS. Returning to the negotiations in connection with the Old Hickory contract, the last point that had been reached was the telegram of the Secretary of War on October 31, directing the du Pont Co. to suspend operations under the order of October 25 of Major General Crozier, Chief of Ordnance.

On November 7, 1917, Mr. Brookings of the War Industries Board wrote to the Secretary of War, and said:

> Wishing to get to the bottom of the proposed contract with the du Pont Co., I motored with Admiral Earl to Indian Head yesterday afternoon, and made a rather hurried but complete inspection of the naval powder plant which is located there. While the plant is small, producing only 25,000 pounds per day, they have an appropriation for doubling this capacity at an expenditure of something like $2,000,000. I am convinced, from statements made me by the superintendent, Mr. Patterson, and the officers in charge that the plant is producing as good powder as is produced by any plant in the world, and I herewith enclose copy of report made by them October 21——

I think the reference is to a report of October 22, which is also offered in evidence at this point.

(The letter of Nov. 7, 1917, and report of Oct. 22, 1917, referred to were marked "Exhibit No. 1139" and "Exhibit No. 1140", respectively, and are included in the appendix on p. 3264.)

Mr. HISS (reading):

> showing the cost during the fiscal year 1917 to be about 31 cents for what is known as "direct shop cost", with an overhead including boxing, interest, outbound freight, depreciation, and so forth, of about 9 cents, or a total of 40 cents per pound.

The base price in the October 25 agreement was 44½ cents, was it not, Mr. du Pont?

Mr. PIERRE DU PONT. 44½ cents.

Mr. HISS (reading):

> Of this cost, the contract with the du Ponts would entirely eliminate the item of boxes, depreciation, outbound freight and barge expense, and interest which you will notice aggregates about 7 cents per pound, reducing the cost to 33 cents. This is a small scattered plant of only one-fortieth of the capacity of the proposed new plant. With the purchasing power of the Government and the magnitude of the proposed plant, it is quite probable that the cost as outlined by the du Pont agreement will not exceed 35 cents per pound, so that under the du Pont contract, they would make during the first year of operation a profit of about 10 cents per pound or approximately $30,000,000 in addition to the $13,500,000 construction commission provided for.

Senator VANDENBERG. Who is that speaking?

Mr. HISS. Robert S. Brookings, of the War Industries Board, reporting to the Secretary of War, Mr. Baker.

> I herewith hand you enclosures just received from Colonel Pierce which indicate the cost to the British Government for contractor's services on a plant probably similar to this would average about 2 percent.

In other words, $1,800,000.

Mr. IRÉNÉE DU PONT. Are you getting away from this first exhibit you are just reading from?

Mr. HISS. No. We will return to that in just a moment. I would like to finish reading this letter.

> This does not seem, however, to cover the plans and specifications.

That the price demanded by the du Ponts for construction, service, and operation is utterly out of scale with any possible service they can render would seem obvious.

The cost report of October 22 of the Naval Proving Ground, Indian Head, Md., addressed to the Bureau of Ordnance, shows a total cost of a direct shop nature of 31 and some fractional cents, including a depreciation item of .02 and a further fraction. The shop cost of 31 cents plus an overhead cost of seven cents and an interest cost of 1.8 made a total cost of 39.9 cents as reported in this particular statement.

Mr. Irénée du Pont. Mr. Secretary, may I call attention to a few items on this estimate you have just read out?

Mr. Hiss. Certainly.

Mr. Irénée du Pont. I have never seen this estimate before, so this is very superficial examination.

I would like to point out some of the prices on the materials used in this estimate. I think they are probably based on the stocks on hand at Indian Head earlier, in the earlier period before the war.

Mr. Hiss. Just before that, may I give you another document to consider at the same time so that you will have that before you?

A letter of October 27, 1934, from the Secretary of the Navy to the chairman of this committee listing the costs of Indian Head for the entire war period, namely, 1915–16, 1916–17, 1917–18, and 1918–19, with the statement of the price paid for raw materials throughout the period.

(The letter referred to was marked "Exhibit No. 1141", and is included in the appendix on p. 3267.)

Mr. Irénée du Pont. Take the item of alcohol, which I happen to notice because right at the bottom you have down there 6.45 cents a pound as the price in the estimate for the year 1918. The American Distilling Co. price was 10.9 cents a pound, a differential of 4.4 cents, which represents an error in this thing of 3½ cents on the low side.

Mr. Hiss. If you will turn to the last sheet of the Secretary of the Navy's chart, you will see the costs stated for 1915 through to 1919, which shows that new powder, total cost including depreciation, insurance, and interest, in 1915–16 was 44 cents, in 1916–17 was 40 cents, and in 1917–18 went up to 51 cents. The statement is as of October 1917.

Mr. Irénée du Pont. I do not follow that, quite; 51 cents—where do you see that?

Mr. Hiss. 1917–18. Do you see that?

Mr. Irénée du Pont. 1917–18, 51 cents; yes.

Mr. Hiss. 1918–19 was the other one.

Mr. Irénée du Pont. Does this represent the actual cost?

Mr. Hiss. So we are informed.

Mr. Irénée du Pont. Have you the prices for raw materials charged in?

Mr. Hiss. They are shown on the first three pages, with the statement of the supplies of the raw materials. You will notice that diphenylamine in 1917 was purchased from your company at $0.60. In other words, 60 cents a pound.

Mr. Irénée du Pont. Diphenylamine, they used an insignificant amount of that. The big items are alcohol, nitrate of soda, and cotton. The alcohol prices, as I recall at this time, had gone up to 12 cents, notwithstanding that apparently they bought early enough in 1918 to get it for only about 11 cents, here. But in this estimate that is given as the 31-cent estimate, it is down for 6.45 cents. It manifestly is not applicable. You could not buy alcohol for these plants at that price. We were quoting on the then market. We could not buy alcohol like they bought the year before.

Similarly, nitrate of soda, we have down 2.1 cents. See what they have for the price of nitrate of soda here—never having seen this document before. They have in 1918 2.6 cents, and I do not think they bought very much at that price, because you can find out what we actually paid for it.

Mr. HISS. Will you also notice on page 2 the price paid for cotton linters in 1917 at 14 cents a pound, which was very high, was it not? Did your company pay anything like that for cotton linters in 1917?

Mr. IRÉNÉE DU PONT. I do not know. I imagine those are purified cotton linters, which we did not buy except in a small way.

Mr. HISS. You produced those?

Mr. IRÉNÉE DU PONT. We produced those. That is what those large buildings along the horizon are [indicating on panoramic picture].

Mr. HISS. On November 14——

Mr. IRÉNÉE DU PONT. I beg your pardon. Could I just look at those cotton linters? They say they paid 14 cents for them in 1917, and the cotton linters down here are 10 cents.

Mr. HISS. One is a complete 1917 report and the other is as of October. You will notice the total 1917 cost is higher than the October one.

On November 14, 1917, Mr. Brookings wrote a further letter to the Secretary of War.

(The letter referred to was marked "Exhibit No. 1142", and is included in the appendix on p. 3269.)

Mr. HISS [reading]:

> You have doubtless heard that the War Industries Board, by invitation of General Crozier, had a long conference today with General Crozier, Colonel Hoffer, and Mr. McRoberts, representing the Ordnance Department, and Colonel Butler——

Which probably means Colonel Buckner—

> and Mr. du Pont representing the du Pont Co.

That was you, Mr. Pierre du Pont?

Mr. PIERRE DU PONT. I am not sure whether I was there or Irénée du Pont.

Mr. HISS (reading):

> I wish to say to you confidentially that while our protest has produced changes in the contract which will probably save the Government $5,000,000 or $6,000,000 and has modified one or two other conditions of the contract in the Government's interest, it still remains in shape where those who expressed themselves—Judge Lovett, Mr. Baruch, and myself—declined to approve it. While upon the one hand Colonel Hoffer devoted himself to criticizing the Indian Head cost submitted to you as compared with the cost of several kinds of materials today, upon the other hand the du Pont people frankly admitted that they expected to make 10 cents per pound under the contract. In other words, that they expected to produce the powder at 10 cents less than the fixed price mentioned in the contract. Practically the only changes offered were to rebate 6½ cents——

six and one-half percent it probably meant—

> of the 15 percent charged on construction out of the profits they would make on operation, to be paid, however, in installments which would require 16 to 18 months' operation of the plant in order to secure it. The other change, as I remember it, reduced their compensation from 5 cents to 3½ cents per pound under certain conditions where the powder cost more to produce than the price named in the contract.
>
> My only purpose in sending you this communication is to emphasize the conviction which I think we all have in the War Industries Board that, when a large sum of money like this is to be expended, unless we participate in the first stages of the conference and are able to mold it along lines which we feel to be fair and equitable, it is almost impossible to do anything with it. General Crozier, Colonel Hoffer, and Mr. McRoberts had recommended in the most unqualified way this original contract, and, in our interviews with General Crozier and Colonel Hoffer no amount of arguments made any impression on them, as they still insisted that the contract was not only a reasonable one but one which evidenced the greatest generosity on the part of the du Ponts. You can readily see how difficult it is to get men who have so conclusively passed upon a proposition to admit that they have made a mistake. I may be wrong, but I have the feeling that if we had participated in this negotiation from the beginning we could just about have reduced it one-half, that is, 7½ percent on construction and probably 2½ cents per pound for operation. Even this would have given them an absolutely secured profit of 7½ million dollars per year for nothing on earth but directing the policy of the company from their main office, as of course everything else was chargeable to the cost of powder and the Government furnished absolutely all the capital, and, by the terms of the contract, assumed risk of every kind and character.
>
> On leaving the conference, General Crozier announced that he felt that, regardless of price, the Government must have immediate action on this, and immediate action could only be had through the du Ponts, and therefore he would urge upon you the emergency necessity which, in his judgment, overshadowed all question of cost.
>
> It was suggested to the du Ponts that they go ahead and construct this plant and operate it after construction, charging all cost of every kind and character to the Government, and, after they had demonstrated the great service rendered the Government, to leave to the Secretary of War the question of their compensation, assuring them that the Secretary of War could not do other than treat them fairly—in fact liberally—if he assumed the responsibility of paying them a fair price for their service. They may consider this, although I do not think it was received very favorably.
>
> It seemed to me that you should have from the War Industries Board as quickly as possible our interpretation of this interview.

Mr. PIERRE DU PONT. Mr. Chairman, I would like to say in regard to that matter. That may have been the writer's opinion—it was not our opinion—that it was a hand-out of $7,000,000 for nothing.

The CHAIRMAN. Who was the writer?

Mr. HISS. Robert S. Brookings, of the War Industries Board.

Mr. PIERRE DU PONT. The representation there is that it was mere pen work at Wilmington, signing of vouchers, checks, or whatnot and that there was nothing else done by the du Pont Co.

As a matter of fact, a contract was entered into to build a plant at Nitro, W. Va., with other contractors, reputable men, I guess the best men in the country. They did not have our knowledge. They came to us for their technical knowledge, which was furnished free. They had our drawings and all the knowledge we could put into their heads by telling them. They started to make a plant and they built it, and the record here shows that had we in the cost of Old Hickory expended as much money proportionately as they did, it would have cost about $20,000,000 more.

Mr. HISS. Could we just stick to Old Hickory for the time being?

Mr. Pierre du Pont. I think it is very pertinent here to bring in this letter which will go in the record as the opinion of a man, and probably not worth anything; he made a bad guess, in other words. They hired somebody else to do the work who did not have the knowledge, and the consequence was they paid more than if they had taken us up on the original proposition. That is the record and the story. It is better to put that in now than at the last, when we have forgotten about this first business.

Mr. Irénée du Pont. I have not quite forgotten that Brookings incident. I would like to quote Mr. Brookings.

I think I was the Mr. du Pont there at that time, because I had an interview with Mr. Brookings. I could not say if this is the one. But at that interview he told me he would rather pay a dollar a pound for powder for the United States in a state of war if there was no profit in it rather than pay the du Pont Co. 50 cents a pound for powder if they had 10 cents profit in it. That is what he told me. I think that is where the 10 cents came from; I do not suppose I denied it. I plainly recall that I put down Mr. Brookings as a woodenware manufacturer in St. Louis or somewhere. He evidently did not appreciate that we might have war on the east coast of the United States. I was fearful of war. Apparently he thought that he was far enough inland so that it did not matter much.

Senator Vandenberg. Do you recall the suggestion that was made at that conference that you do this on a cost basis and leave your own compensation to the Secretary subsequently?

Mr. Irénée du Pont. No; Mr. Senator.

Senator Vandenberg. Do you recall such a suggestion?

Mr. Irénée du Pont. I could not say that I do recall it exactly that way, but the idea of leaving things to be decided later is not sufficiently businesslike, and I think you will recognize that, even in this case. Consider the next war—that there is somebody who must do something for the Government. Will he not be extremely unlikely to do it in view of our sad experience with Old Hickory?

We took 8 months to build the plant. There is a rough picture of a little part of it. The vouchers were audited by Government officials and it took them 8 years, auditing and reauditing and reauditing. I do not know how many investigations we have had, but this is simply another. This is all expense to the company. We are held up to ridicule or worse, that we are trying to rob the United States, when we did one of the most magnificent jobs done in the war there; perfectly astonishing that a thing like that could have been built so quickly and have gone into production ahead of time in every unit, when the time set for that production was so extremely short.

Mr. Hiss. Do you believe that there was any other company in the country that could have done it with the same speed at that time?

Mr. Irénée du Pont. I do not know of any that there were. I cannot conceive that there could have been.

Mr. Hiss. Did any of the Government officials at any time during that period indicate to you that they thought anyone else could do it as well as you could do it?

Mr. Irénée du Pont. Unless you would say that by Mr. Baker taking it out of our hands and putting the Charleston plant in other hands certainly indicated he thought so.

Mr. Hiss. I mean the Old Hickory proposition itself.

Mr. Irénée du Pont. This first proposition you have been talking about was the Charleston plant. When Mr. Jackling came, he tried to take our chief engineer away from the du Pont Co., upsetting their work, and the chief engineer said, "I cannot do anything. I cannot help you. This is the organization that does the thing. You will have to take the organization."

Mr. Hiss. My impression of the October 25 contract is that it referred to a site or sites to be determined, and there was consideration of the possibility of two sites?

Mr. Irénée du Pont. Charleston was the first selection for a location.

Mr. Hiss. And at the same time producing a combined total of a million pounds per day. It was later decided to have a million pounds per day at Nashville and an additional plant at Charleston. Is that not correct?

Mr. Irénée du Pont. Oh, no; I think that is wrong. The additional plant comes first. Charleston was started in January, two months before Old Hickory. The Charleston plant did not get into operation as fast as the one at Old Hickory, although Old Hickory had the disadvantage of having to build a railroad to it, whereas Charleston had the railroad already there.

Mr. Hiss. Was that not also because your contract with the Government could not be determined earlier, since the point of compensation was not agreed upon?

Mr. Irénée du Pont. They agreed with the contractor for the Charleston plant before they agreed with us. That contract is dated, I think, 2 months earlier; at least, they started work 2 months earlier.

Mr. Hiss. Two months earlier than January or 2 months earlier than October, the first order?

Mr. Pierre du Pont. The Charleston plant started work in the early part of January 1918, I believe.

Mr. Hiss. But not until after the October order had been issued by General Crozier, which would have given you the Charleston project?

Mr. Pierre du Pont. Yes.

Mr. Hiss. As well as whatever project may have been contemplated at Nashville?

Mr. Pierre du Pont. Presumably would be, although the October contract originally was planned that we would take all or part.

To refer back just a moment to this question of savings, if the Government had contracted Old Hickory to the same contractors as built Nitro——

Mr. Hiss. Who were the contractors who built Nitro, Mr. du Pont?

Mr. Gregg. The Government made a contract with Thompson Starret Co. to construct a plant. Mr. Jackling was in charge.

Mr. Hiss. Was Mr. Coleman du Pont a director of the Thompson Starret Co.?

Mr. Gregg. I could not tell you that. I do not know.

Mr. PIERRE DU PONT. But taking the cost of Nitro, if they had built the Old Hickory plant at the same cost per pound of output, it would have cost $19,000,000 more than it did to us. That is the difference. It was more than any contemplated profit on construction, surely. That is the construction contract only.

CONTINUANCE OF NEGOTIATIONS ON PART OF ORDNANCE DEPARTMENT

Mr. HISS. On November 15, although the War Industries Board had recommended against the contract, the Chief of Ordnance, General Crozier, notified your company, according to this memorandum of November 17, 1917, which I offer as an exhibit, reading as follows:

> I consider it necessary to the interests of the Government for your company to acquire title to the land that you have under option for a smokeless-powder plant.
>
> It is understood that your company is willing to purchase the land and to either sell it to the Government or dispose of it to any individuals that the War Department may name at the actual cost to your company plus interest at 4 percent.

(The memorandum referred to was marked "Exhibit No. 1143" and is included in the appendix on p. 3270.)

Mr. HISS. In other words, the War Department thought that notwithstanding the criticisms of the War Industries Board, the contract must go ahead, and authorized you to take steps in that direction. Is that correct, Mr. du Pont?

Mr. PIERRE DU PONT. This is November 17, after the whole deal was off.

Mr. HISS. After the whole deal was off?

Mr. PIERRE DU PONT. Yes.

Mr. HISS. The War Department still urged you to go ahead optioning sites?

Mr. PIERRE DU PONT. For them. The understanding was they were going to take the property, and if they did not want it they would pay us for it, plus 4 percent.

Mr. IRÉNÉE DU PONT. Not plus 4 percent; plus interest at 4 percent.

Mr. HISS. In your opinion at that time, there was to be no further plan of the du Pont Co. constructing its plant? You thought the entire deal was off?

Mr. PIERRE DU PONT. Apparently it was; yes.

Mr. HISS. May I show you a draft of a contract dated November 19, 1919? This copy comes from the War Department files, but I have seen a similar copy in the files of your own company.

Mr. PIERRE DU PONT. There are numerous negotiations on the thing.

Mr. HISS. It indicates that the negotiations were continuing throughout this time.

Mr. PIERRE DU PONT. We did not let go of a thing.

Mr. HISS. I am sorry I misunderstood your statement.

Mr. PIERRE DU PONT. We had been notified that the deal was off.

Mr. HISS. Returning to the November 17 document, my question was that although the Secretary of War had ordered you to suspend operations and the War Industries Board had expressed its disapproval of the contract, the War Department still directed you to continue with optioning the property?

Mr. Pierre du Pont. That seems to be true; yes.

Mr. Irénée du Pont. Does it say "optioning"? Acquire title to the land.

Mr. Hiss. Which is even more than an option.

Mr. Pierre du Pont. That does not mean we agreed to have an interest in the thing at all.

Mr. Hiss. Not even taken in connection with the fact that new contracts were being made up in consultation between the War Department and your company?

Mr. Pierre du Pont. We kept the thing going, but as to what the outcome would be was a mere guess. This would have worked equally well if we had been kept in the game or left out.

Mr. Hiss. On November 21 General Crozier wired you, Mr. Pierre du Pont, as follows [reading]:

> Colonel Buckner advises me that options are beginning to expire on the machinery for the proposed plant of 1,000,000 pounds of smokeless powder per day. The Department desires and authorizes you, if the prices are reasonable, to close all options where action is considered by your company necessary to protect the Government in the procurement of this machinery. You may close these options in the name of the Ordnance Department.

(The telegram referred to was marked "Exhibit No. 1144", and is included in the appendix on p. 3271.)

Senator Vandenberg. What was the relative authority of the War Industries Board and the War Department in respect to these things, Mr. Hiss?

Mr. Hiss. Colonel Harris?

TESTIMONY OF LT. COL. C. T. HARRIS AND LT. E. M. BRANNON—Recalled

Lieutenant Colonel Harris. The War Industries Board had no real authority to control the letting of contracts. The authority rested with the War Department.

Mr. Hiss. The War Industries Board were advisers to the Secretary of War and to the President?

Lieutenant Colonel Harris. To the President and also the Secretary of War.

Senator Vandenberg. And the War Industries Board had no conclusive authority of its own in any aspect?

Lieutenant Colonel Harris. In connection with letting of contracts, no, sir.

Senator Vandenberg. Did they have any authority?

Lieutenant Colonel Harris. They had the authority of the President's letter to them of March 4 in connection with raw materials, checking prices, and so forth, but they had no authority in connection with letting of a contract of this character.

Senator Vandenberg. They had a price-fixing authority?

Lieutenant Colonel Harris. Yes, sir.

Senator Vandenberg. All right.

Mr. Irénée du Pont. Before leaving that 51-cent cost, I think it ought to be proper to insert with this record what the actual cost was at Old Hickory. Bear in mind it was a new plant just going into operation, with all the wastefulness of getting under way and breaking in new crews. I think you will find that that is materially under the 51-cent price estimated for Indian Head, notwithstanding their low price of raw material.

Lieutenant Colonel HARRIS. Mr. Chairman, may I amend my statement? These dates have to do with the authority of the War Industries Board. At this time the War Industries Board was a creation of the Council of National Defense, and had no executive authority of any kind. After March 4, 1918, they did have authority by virtue of the President's letter to them. At this time they did not have any executive authority.

Senator VANDENBERG. Purely advisory at this point?

Lieutenant Colonel HARRIS. It was a creation of the Council of National Defense, which did not have any authority.

Senator VANDENBERG. Purely advisory?

Lieutenant Colonel HARRIS. Yes, sir.

Mr. GREGG. I might state that at the Old Hickory powder plant 35,538,345 pounds of powder were manufactured at a cost per pound 44.09841, or about 44.1 cents per pound.

Mr. HISS. Mr. Gregg, how much of that was completed after the armistice?

Mr. GREGG. It is my recollection that at the time of the signing of the armistice approximately 25,000,000 pounds of powder had been delivered and accepted by the Government. The rest had been manufactured, but it had not yet reached the point of acceptance by the Government. In other words, there was about 10,000,000 that held over and was accepted later on.

Mr. HISS. But that had been completely manufactured by that time, Mr. Gregg?

Mr. GREGG. I might explain that.

Mr. HISS. How much was in process?

Mr. GREGG. In process?

Mr. HISS. Yes; on November 11?

Mr. GREGG. I could not tell you how much was in process on November 11, but the situation was this: Material that had already been started through in the manufacture of powder, if you stopped in the midst of that the raw materials used in the manufacture of powder would be practically worthless. Therefore, it was necessary to go through with what was in process and complete it. That was the situation at Old Hickory. We went on through with what was in process at the time of the signing of the armistice and completed that powder.

Mr. HISS. May I interrupt you? I think this statement which I had intended to refer to later states how much was completed at the time of the armistice.

November 19, 1918, statement of guncotton nitrated, cannon powder manufactured, and cannon powder packed.

(The tabulation referred to was marked "Exhibited No. 1145", and is included in the appendix on p. 3271.)

Mr. HISS. You will notice that on that date 16,000,000 pounds, by November 19, had been finished; 32,000,000 had been nitrated; 26,000,000 had passed through the first stage. So that after that time, according to your figures, at least 3,000,000 more pounds were nitrated and those 3,000,000 plus an additional 3½ million or so were put through the first stage.

Mr. GREGG. That is only for the month.

Mr. HISS. Those are the totals of this year that I was reading.

Mr. GREGG. Total to date.

Mr. HISS. That is what I was reading, total to date.

Mr. GREGG. The total this year; that is guncotton alone.

Mr. HISS. So I stated, Mr. Gregg. You misunderstood me. But since your figures showed 35,000,000 altogether of powder, there must have been another 3,000,000 pounds of guncotton nitrated after this date, since it was testified yesterday that guncotton is used about pound for pound in finished powder.

Mr. GREGG. Some of the operating men would have to testify to that.

Mr. IRÉNÉE DU PONT. Mr. Bradway I think could answer that. He is the technical man on that.

Mr. HISS. After November 11, 1918, did powder-manufacturing costs increase or decrease?

Mr. IRÉNÉE DU PONT. After what date?

Mr. HISS. November 11, 1918, at Old Hickory, did labor rates go up or down?

Mr. IRÉNÉE DU PONT. We shut down right off. They stopped nitrating immediately on the armistice.

Mr. HISS. Three million more pounds were nitrated after that.

Mr. IRÉNÉE DU PONT. Three million more pounds represent about 5 days' operation. If the cotton is already starting through the nitrating plant, Mr. Bradway can tell you more about it, because he knows more of those details, and I have only observed them.

Mr. HISS. Mr. Bradway.

Mr. HISS. Mr. Bradway, just one question. The question is, How many pounds of gunpowder are required for the production of 1 pound of smokeless powder?

Mr. BRADWAY. Approximately one.

Mr. HISS. That is all, thank you.

Mr. BRADWAY. That is smokeless cannon powder.

Mr. HISS. That is right.

Mr. BRADWAY. Yes.

Mr. HISS. Mr. du Pont, the question I asked just before Mr. Bradway testified was: Did labor costs and manufacturing costs of this powder in process increase or decrease after November 11, 1918, in your opinion? If they decreased, the cost figures that Mr. Gregg has read may not be completely comparable with cost figures prior to November 11, 1918, isn't that correct?

Mr. PIERRE DU PONT. That is possible.

Mr. HISS. Have you the costs in October 1918, for example?

Mr. GREGG. We do not have it by months, Mr. Hiss.

Mr. PIERRE DU PONT. I think you will find, Mr. Hiss, that this 32,300,000 pounds of guncotton produced at Old Hickory was eventually transposed into finished gunpowder or finished powder of some kind.

Mr. HISS. That is correct. Mr. Gregg has already testified to this, that 35,000,000 pounds were completed. Therefore, 3,000,000 more had to be nitrated after that date, according to Mr. Bradway's testimony.

I call your attention to the letter of November 23, 1917, to Mr. Baker from Mr. Pierre du Pont.

(The letter referred to was marked "Exhibit No. 1146" and is included in the appendix on p. 3272.)

Mr. HISS. I am quoting from the last sentence of the second paragraph on the first page [reading]:

> During the course of the formulation of the project there was full discussion concerning compensation to our company and later full explanation of our position in that respect. It was our understanding that the percentage charges and form of plans were acceptable to you, though we had no definite assurances to that effect either from you or through General Crozier or Colonel Hoffer.
>
> Immediately on receipt of order we started to put into effect plans which had been rapidly developed during the course of negotiations.

On page 3 of the letter, the third full paragraph, second sentence:

> We have agreed to construct the 10 proposed units of the factory, or any substantial part thereof, or to donate our plans of existing plants to the Government should you desire the work done by others than ourselves. We have agreed to do construction work without profit, provided that the plants are operated by us for a sufficient length of time to give our company reasonable compensation for our services.

You regarded the total compensation as compensation for the entire job of construction and operation, didn't you, Mr. du Pont?

Mr. PIERRE DU PONT. It seems so; yes.

Mr. HISS (continuing reading):

> We have refused two conditions only: First, to work without proper compensation; second, to divide with other contractors the work at any one site. The first refusal is necessary, because the directors of our company, acting for our stockholders, have no authority to do otherwise. The second, because the work cannot be accomplished promptly and properly under divided responsibility at any one point.

The next page, the last complete sentence [reading]:

> There is no doubt that we have made large profits, but their making has enabled us to complete work that has not been duplicated elsewhere. It has also placed us in a position to name prices for powder to the United States Government below those in force before the war, without any amortization charge whatever to cover use of factories which will shortly be permanently dismantled.

Yesterday Mr. Irénée du Pont testified that had it not been for sales to European customers at prices permitting amortization, the company would have been forced to make amortization charges in its sales to the United States.

Mr. IRÉNÉE DU PONT. If we built the plant for it; yes.

Mr. HISS. Consequently, it was merely a fortuitous circumstance that the United States did not have to pay amortization charges in its contracts with you, is that correct?

Mr. IRÉNÉE DU PONT. I don't know what the definition of "fortuitous" is.

Mr. HISS. It was not a matter of patriotism but of happenstance.

Mr. IRÉNÉE DU PONT. We manifestly could not give the cost of the powder plant to the United States Government. We would be great trustees for the stockholders if we did, if that is what you mean.

Mr. HISS. May I call your attention to an extract from the minutes of an executive committee meeting held on January 18, 1918, which I will offer as exhibit for the record.

(The extract referred to was marked "Exhibit No. 1147" and is included in the appendix on p. 3274.)

Mr. HISS. This is just before the Old Hickory contract was signed [reading]:

> Resolved that the development department be authorized to pay $3,250,000 for the properties of the Federal Dyestuffs & Chemical Corporation as outlined in their report of January 17, 1918, provided we are able to close a contract with suitable advance-payment clause with the United States Government or others for the sale of picric acid at a price and in an amount sufficient to net us a fair profit after amortizing the entire cost of this investment, including the cost of necessary construction work to manufacture picric acid including sulphuric-acid plant.

Do you use picric acid in the manufacture of dyestuff?

Mr. IRÉNÉE DU PONT. I believe we did. I think there is a little explanation there. These people represented they had orders from the Government and wanted to sell out their properties. We had no interest in the orders for picric acid. Our interest was in the dyestuff business.

Mr. HISS. Do you not use picric acid in the manufacture of dyestuff?

Mr. IRÉNÉE DU PONT. Yes; but not in this quantity. Nothing ever happened to this at all. They were one of the war brides at the time. They claimed they had these orders for picric acid, and I think they had been in the sulphur-black business, or some other dye. They had some war orders and wanted to cash in on them, so we put up a proposition which enabled them to do that, if they would, and they came across. That is all that happened.

Mr. PIERRE DU PONT. The property was not acquired.

Mr. IRÉNÉE DU PONT. It was not acquired; no.

OFFER OF SECRETARY OF WAR BAKER TO PAY $1,000,000 AND TO ARBITRATE AS TO BALANCE

Mr. HISS. On November 26, 1917, the chairman of the War Industries Board, who was then Daniel Willard, wrote a letter to the Secretary of War, which I will offer as an exhibit.

(The letter referred to was marked "Exhibit No. 1148" and is included in the appendix on p. 3274.)

Mr. HISS. This says:

> Inasmuch, however, as we have so far been unable to agree with the du Pont as to what would be fair compensation for the erection and operation of the plant, we recommend that you invite the responsible heads of the du Pont Co. to meet you at your office.

Mr. IRÉNÉE DU PONT. What is the date, please?

Mr. HISS. November 26, 1917.

This follows a statement in the preceding paragraph that—

> It is our opinion that the du Pont people are in every way the best fitted for securing this result—

Namely, the construction in the least possible time and the operation at the greatest efficiency.

Continuing with what I started to read before—

> and that you say to them that the emergency nature of the Government needs is such that you must insist upon their taking hold of the project without further delay, and, as the Government's agent, proceed to construct, organize, and operate the plants, aggregating approximately 1,000,000 pounds capacity per day in the shortest time possible, the Government to pay every dollar of expense connected therewith as the work progresses; that inasmuch as we have not agreed as to what would be fair compensation for their services both in the

erection and operation of the plant, and inasmuch as they must, of course, be willing to accept fair compensation for their services and the Government being perfectly willing to pay fair compensation—

Now, therefore, the Government proposes to pay them $1,000,000 in advance on account of the net profit or compensation to them over and above all cost of construction and operation and that pending the completion of the contract, i. e., 18 months after the first unit is ready for operation, the Government, through the Secretary of War, will endeavor to negotiate with them from time to time as to what, if any, additional compensation they should fairly receive for their services, and on the completion of the contract if the du Pont Co. and the Secretary of War have not been able to agree upon such sum, then the matter shall be left to the usual form of arbitration—that is, each party to select one arbitrator and the two so selected to agree upon a third, the findings of the two of these three to be binding upon both interested parties.

Mr. du Pont, is it not unusual in your experience to have a Government official offer to arbitrate a point which it is his duty as a Government official to exercise discretion on?

Mr. PIERRE DU PONT. I never had any experience in that line.

Mr. IRÉNÉE DU PONT. Mr. Secretary, that letter is perfectly easily explained. You know Daniel Willard is as honest and straightforward as he could be. If he made a proposition to me to do a job for him, on a basis of that kind, I could trust him and it would be all right. But the Government cannot do that sort of thing. They haven't got the power to do it. They would just pass the buck and never get anywhere on it.

Mr. HISS. Did your company accept that offer?

Mr. PIERRE DU PONT. It did not.

Mr. HISS. On November 28, 1917, Mr. du Pont wrote a letter to the board of directors of the company, which I will offer for appropriate exhibit number.

(The document referred to was marked "Exhibit No. 1149", and is included in the appendix on p. 3275.)

Mr. HISS. This letter refers to a conference the day before with the Secretary of War [reading]:

The Secretary informed me that a meeting had been held the day before, at which were present the War Industries Board, General Crozier and himself. He and General Crozier had presented opposite opinions. The Secretary being in favor of giving the work to other contractors and architects, such as Mr. Graham—

Is he of the Thompson Starrett Co.?

Mr. PIERRE DU PONT. I do not recall him.

Mr. HISS. Do you know, Mr. Gregg? Do you know Mr. Graham?

Mr. GREGG. I do not know Mr. Graham.

Mr. HISS (continuing reading):

who has visited our plants with the purpose of learning the nature of the work to be accomplished.

Can you identify Mr. Graham, Colonel?

Lieutenant Colonel HARRIS. I think he belongs to the firm of Graham Starrett of Chicago.[1]

Mr. HISS. Not Thompson Starrett?

Lieutenant Colonel HARRIS. My records will show.

Mr. HISS. We will just go on while you are looking that up.

Lieutenant Colonel HARRIS. All right.

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[1] Under date of April 4, 1935, Colonel Harris notified the committee of his belief that the Mr. Graham referred to was a member of the firm of Graham, Anderson, Probst & White of Chicago, designing engineers, employed by the Thompson Starrett Co. in connection with the construction of the Nitro plant at Charleston, W. Va.

Mr. Hiss (continuing reading "Exhibit No. 1149"):

> The Secretary evidently realized that I understood that Mr. Graham was willing to undertake the work, for he said, "You understand, of course, that Mr. Graham has made no bid." He then said that the War Industries Board had made a decision, which though contrary to his own views, he had decided to adopt. The decision is attached hereto.

That refers to the letter of November 26 offering arbitration, does it not, Mr. du Pont? The last paragraph, I think, will identify it, the last paragraph on the first page. After having referred to the decision, you say:

> The words "you must insist upon their taking hold of the project without further delay"—

Those words you will find in the letter of November 26.

Mr. Pierre du Pont. I think that is right.

Senator Barbour. Who wrote that letter, Mr. Secretary?

Mr. Hiss. The one I am reading from?

Senator Barbour. Yes.

Mr. Hiss. Mr. Pierre du Pont, to his board of directors.

Senator Pope. Mr. Hiss, do your records show when General Crozier's services were discontinued with the Government or the War Department?

Mr. Hiss. I do not know. Colonel Harris, do you know what his service record is?

Lieutenant Colonel Harris. It was some time in February.

Senator Pope. 1918?

Lieutenant Colonel Harris. 1918.

Mr. Hiss. That he ceased to be chief of ordnance or retired from the Army?

Lieutenant Colonel Harris. That he ceased to be chief of ordnance.

Mr. Hiss. He did not retire from the Army at that time?

Lieutenant Colonel Harris. He did not retire from the Army; no. He went on another work.

Mr. Hiss. Continuing with this letter of November 28:

> After reading this letter of the War Industries Board I told the Secretary that I would not assume the responsibility of a decision; that our directors were to meet today and I would lay the latter before them with the recommendation that we do not accept the proposition of the War Industries Board.

Senator Vandenberg. Does that refer to the Willard letter?

Mr. Hiss. The Willard letter of November 26.

Senator Vandenberg. Yes.

Mr. Hiss (continuing reading):

> The words "you must insist upon their taking hold of the project without further delay", and some remarks of the Secretary lead me to make the statement that if the Government had power to commandeer our services we should insist that such power be exercised in order to relieve us of responsibility that we could not assume ourselves. The Secretary replied that he was not sure of the law, but did not believe the Government had power of insistance.

Colonel Harris, do you recall section 120 of the National Defense Act?

Lieutenant Colonel Harris. I do.

Mr. Hiss. And was that in effect at this time?

Lieutenant Colonel Harris. It was.

Mr. Hiss. In your opinion, did that give power to commandeer plants where a reasonable compensation could not be agreed upon between the Government and the operator or owner of the plant.

Lieutenant Colonel Harris. It gave power to commandeer existing plants, but I do not know whether it gave them power to commandeer an organization to build one.

Mr. Hiss. How many instances of commandeering do you know of during the war?

Lieutenant Colonel Harris. There were many compusory orders placed, which is also covered in section 120; but very few plants were actually commandeered, because that involved the operation of those plants and the personnel was not available for their operation.

Mr. Hiss. So section 120 was really limited for practical purposes to compulsory orders?

Lieutenant Colonel Harris. Generally speaking, that is right.

Mr. Hiss. And would have to be, in the nature of the case?

Lieutenant Colonel Harris. Yes.

Mr. Hiss. Page 2 of "Exhibit No. 1149" [reading]:

> As the Secretary had approved of the compensation agreed upon, I called attention to that understanding, to which he replied that our profit on the work might be anywhere from $13,000,000 to $30,000,000; that his mind could not conceive of services of anyone being worth such a price.

The last sentence of the same paragraph [reading]:

> The $1,000,000 proposed by the War Industries Board is one-fourth of 1 percent, so that the largest addition that we might expect to be added to this amount would leave a profit wholly inadequate for so great an undertaking.

Mr. Pierre du Pont. You note the inference there. The Secretary insisted that this 15 percent was profit. I explained carefully that it was not, and if the contract and our services with them be measured according to his views, which seemed to be the case, we would have been something like $10.000,000 out of pocket to start with, even though we received a million dollars.

Mr. Hiss. But after your explanation to him, he still was of the opinion that the profit might be anywhere from $13,000,000 to $30,000,000.

Mr. Pierre du Pont. He insisted that this 15 percent was all profit.

Mr. Hiss. He disagreed with your view of it?

Mr. Pierre du Pont. He disagreed with my view of it, yes; but it was his opinion against mine. His opinion may have been correct; I have no doubt it was honest, but it was a difference of opinion.

Mr. Hiss. The last page, the second complete sentence [reading]:

> The developments of the past month have shown that there is not urgent haste.

Your company had insisted all along that there was urgent haste in having additional powder capacity?

Mr. Pierre du Pont. A lack of urgent haste was indicated by the actions at Washington.

Mr. Hiss. Did that cause you to change your opinion as to whether or not there was need to increase powder capacity.

Mr. Pierre du Pont. It did not change my opinion, but it seemed to indicate that Washington did not appear to agree very closely with my opinion.

Mr. HISS. In this sentence where you said, "The developments of the past month have shown that there is not urgent haste", you mean you still thought that there was urgent haste?

Mr. PIERRE DU PONT. I still thought there was; yes.

Mr. HISS. The last paragraph [reading]:

> In view of the above I recommend that we decline the offer of the War Industries Board, as presented by the Secretary of War, and recommend to the latter that he employ other contractors as we have reached the conclusion that our services to the Government have not the value that we had supposed.

By "value" did you mean importance, or value from a price point of view?

Mr. PIERRE DU PONT. Either way. I think it would be fair to say here that one remark of the Secretary was very important to my mind.

Just after we received his telegram canceling the October order, which we supposed was agreed upon and which we thought was fair, as we had a different point of view in regard to the amount of profit on the 15 percent, the Secretary said to me, in substance, these words: "I think it is time for the American people to show they can do things for themselves."

I thought up to that time I was an American citizen, but he seemed to indicate that he considered we were a species of outlaws, and I confess I resented the remark. If he believed in it, we certainly were not wanted. It could not have been a clearer indication that we were not wanted, to say the American people could do things for themselves, and we were not included in the American people. It was a clear indication from the conversation that our help was not wanted.

The CHAIRMAN. You understood what he meant by the American people was the American Government?

Mr. PIERRE DU PONT. You can translate it as well as I can. I know he seemed to indicate we were not included in the American people, because we were not considered. I never could understand why the delay until the contention at Washington developed, I heard about it for the first time yesterday. It may not have had anything to do with it. We were not aware there was any contention at Washington. We thought the whole Government was acting as a unit. We did not distinguish between the War Industries Board, the Secretary, and General Crozier. We thought they were all together. We never suspected there was any difference between their opinions and actions.

Mr. HISS. On November 28, 1917, your board adopted your recommendation, didn't it, Mr. du Pont? I offer an extract from the minutes of that date as an exhibit.

(The extract from minutes referred to was marked "Exhibit No. 1150", and is included in the appendix on p. 3276.)

Mr. HISS. But the board added a clause to the refusal, namely:

> This board is willing to add a clause to its said revised proposal under and by which the du Pont Co. will agree that in no event shall the total compensation received by this company be an amount greater than 10 percent of the actual construction cost and 15 percent of the actual mill cost of powder produced at such plants.

The CHAIRMAN. That was a suggested amendment to the contract?

Mr. HISS. That was a suggested counter offer.

On December 1, 1917——

The CHAIRMAN. Just a moment. I take it from the minutes of this meeting that the company was not willing to accept any contract or enter into any understanding unless there could be a guaranty that they were going to have at least 10 percent on their construction cost and 15 percent on their operating cost. Is that the conclusion to be drawn?

Mr. PIERRE DU PONT. Not quite that. We would put in the provision that the profits should not exceed that. There was a great divergence in the opinion as to what constituted a profit and what did not. We probably thought—I am only guessing at this—that was a safe margin. We never expected to get that amount out of it originally.

Senator VANDENBERG. There is constant reference to the board and the action of the board in these matters. Was it a large board, Mr. du Pont, or a small board?

Mr. PIERRE DU PONT. I do not remember how many were on it.

Senator VANDENBERG. I mean your board of directors.

Mr. PIERRE DU PONT. Yes; I know.

Senator VANDENBERG. Was it a large group?

Mr. PIERRE DU PONT. I should think about 15 to 20 at that time. I am not sure. It was not a small board of 4 or 5.

Senator BARBOUR. Mr. du Pont, when you speak of 15-percent mill cost, that would not probably be a net 15-percent cost to the company in the final profit sense?

Mr. PIERRE DU PONT. What we meant by a profit was clear of all expenses. But there was a great difference between our opinion of what constituted expenses as compared to the Government's opinion. We thought originally when we made the proposition of 15 percent that a large part of that was actual out-of-pocket expenses, but the Government did not agree with us on that. Our minds would not meet on the subject. We each had our opinion and stuck to it, and that was the end of it.

Mr. HISS. In a letter of December 1, 1917, Mr. Pierre du Pont more fully sets forth the counteroffer of the board of directors. I might just read that, and that may clear up the point you have in mind.

Senator VANDENBERG. May we have a list of the board of directors, at your convenience, at that time? [1]

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. On December 1, 1917, you wrote to Mr. Willard, then chairman of the War Industries Board. I offer this letter for the record.

(The letter referred to was marked "Exhibit No. 1151", and is included in the appendix on p. 3277.)

Mr. HISS. The third sentence reads:

> At a meeting held November 28, 1917, the proposition was given most careful and lengthy consideration, not only from the point of view of financial advantage to the company but from the side of the Government, with full appreciation of its needs, the gravity of the situation, and the appeal of patriotism. As a result the board of directors have requested that this letter be addressed to the War Industries Board, respectfully declining their offer of November 26.

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[1] The du Pont Co. later submitted a list of their officers and directors for 1917 (see Hearings, Part XIII, text footnote p. 2958, appendix p. 3162).

Page 2, the first complete paragraph:

> E. I. du Pont de Nemours & Co. are the owners of about 90 percent of the military smokeless powder producing capacity of the United States.

You had far and away the most experience in producing powder on a large scale, hadn't you?

Mr. PIERRE DU PONT. No doubt. What letter is that?

Mr. HISS. December 1, 1917, from you to Mr. Willard.

Mr. PIERRE DU PONT. Yes.

Mr. HISS. I was reading from the first complete paragraph on page 2. Now, turn to page 3, the first paragraph on that page [reading]:

> When amortization charges were covered we voluntarily reduced our prices, so that in April 1917 our price was 60 cents per pound. When our Government asked for bids we again voluntarily made a reduction and offered to all customers for prompt delivery millions of pounds of smokeless powder at 47½ cents per pound.

That price refers to cannon water-dried powder, which was the cheapest of three types of powder, was it not?

Mr. PIERRE DU PONT. As I understand it.

Mr. HISS. In other words, cannon air-dried was 49 cents, and 30-caliber smokeless powder was 60 cents, was it not?

Mr. PIERRE DU PONT. Yes.

Mr. HISS. You stated the lowest of the three possible prices.

Mr. IRÉNÉE DU PONT. That was the large tonnage.

Mr. PIERRE DU PONT. I believe in those offers we took the risk of the raw materials.

Mr. HISS. On page 4, Mr. du Pont, the first complete paragraph [reading]:

> Throughout our foreign customers have placed absolute reliance upon the ability of the company to manufacture powder for them and have advanced for construction and operation of the factories very large sums of money so that at times we held in excess of $100,000,000 of their cash without any security whatever.

This refers to the evidence put in as to advance payments, and no security was furnished by the company for any of those advance payments; that is correct, is it not?

Mr. IRÉNÉE DU PONT. It depends on what you mean by security. We did not put up any collateral or anything of that kind.

Mr. HISS. I was asking what you meant.

Mr. IRÉNÉE DU PONT. It was acknowledged as a debt of the company and would have to be returned. We acknowledged the receipt of the advanced money, on open account.

Mr. HISS. In other words, it was an open account, unsecured by collateral?

Mr. IRÉNÉE DU PONT. I take it.

Senator BARBOUR. Your customers did not need any security?

Mr. IRÉNÉE DU PONT. We did not have any to put up.

Senator BARBOUR. That is what I say.

Mr. IRÉNÉE DU PONT. Unless it would be a mortgage on the plant.

Mr. HISS. The last paragraph on the same page [reading]:

> From the above it is evident that the United States Government now enjoys the advantage of an enormous and certain powder supply amounting to 440,000,000 pounds per annum, at a low price, and without necessity of paying one cent for amortizating these factories whose cost at today's prices would be $130,000,000 and without submitting to any delay for their building.

Mr. Pierre du Pont. I think that this, Mr. Chairman, was one of the principal factors in this whole contention, the back log of capacity actually existed. The situation would have been quite different on both sides if that had not been the case.

The Chairman. And the requirement now was for pay for capacity that had been made to exist?

Mr. Irénée du Pont. What is that?

Mr. Pierre du Pont. I do not quite understand that, Mr. Chairman.

The Chairman. Maybe I misunderstood in drawing the conclusion that you were feeling that in asking that the larger consideration in way of assurance of a profit you had in mind that you had created a capacity that the Government now had access to and that that capacity was inviting consideration from the Government in the way of pay.

Mr. Pierre du Pont. I do not quite understand the question yet, Mr. Senator. The fact that this large powder factory—series of powder factories—existed in the country and was available for a part of the supply of our Government, as well as our Allies, was a great factor on both sides in the negotiations. The pressure for new powder plants was in a measure relieved in that way. I am looking backward on the thing now. I never recall having considered that point at the time, but looking backward on the thing now, I think it did.

The Chairman. I am referring to the minutes of the meeting of the board of directors just prior to that in which you were insisting upon at least a 10 percent return.

Mr. Irénée du Pont. No; not more than 10 percent. That is, we were putting a top limit.

The Chairman. Your minutes show that you were ready to make it a case of not more than that.

Mr. Pierre du Pont. That is right.

The Chairman. Ten percent on construction costs and 15 percent on the operating costs.

Mr. Irénée du Pont. That certainly indicates the top margin for the benefit of the other parties, not the profit we were getting. The company put a minimum price they would sell for in a contract to protect themselves. We agreed that it shall not be over that under certain conditions.

DELAY IN CONSTRUCTION FOR 3 MONTHS DUE TO DISAGREEMENT AS TO AMOUNT OF COMPENSATION TO DU PONT CO.

The Chairman. Colonel Harris, sitting where you did in those days, how much quibbling did you encounter as respected the profit that was to be enjoyed out of the contracts which the Government was extending?

Lieutenant Colonel Harris. I was not on the procuring side or on the negotiating side during the war. I was on the engineering and technical end of the ammunition, so that my experience would not enable me to give first-hand information on that question.

The Chairman. Surely in your contact you must have had some knowledge of the difficulties that were being encountered in connection with contracting.

Lieutenant Colonel HARRIS. I would say that there was not a great deal of difficulty in arriving at an agreement during the war. During the war the time element was the important thing. When this original agreement of General Crozier's was reached on October 25 we were half way through the World War or well into the World War, and General Crozier thought he was making an equitable contract.

The negotiations afterwards came from the War Industries Board disagreeing with General Crozier. Three months were taken up in negotiations which finally led to the final agreement. There were 3 months lost in the middle of the war by these negotiations. That had a very serious effect on the military effort. Fortunately it did not have a fatal effect, but it might have had.

The CHAIRMAN. It might have had?

Lieutenant Colonel HARRIS. There is no question in my mind that this time was lost, that something ought to have been done to get this production under way.

Senator VANDENBERG. In other words, are you saying there were 3 months involved in the negotiations over what the compensation should be on this program?

Lieutenant Colonel HARRIS. The original contract as signed was a legal document, on October 25, 1917.

Mr. HISS. October 25?

Lieutenant Colonel HARRIS. October 25, 1917. The final agreement was signed, I think, on January 28.

Mr. GREGG. January 29.

Lieutenant Colonel HARRIS. January 29, 1918, which is 3 months and 4 days later.

Mr. HISS. That was again amended on March 23, 1918, and turned into quite a different kind of contract. It was not even then satisfactory.

Senator VANDENBERG. And was there no progress made, no physical progress itself, during those 3 months?

Lieutenant Colonel HARRIS. There were dealings in connection with getting under way, as has been brought out here. The du Ponts had gone ahead at the direction of the Ordnance Department, and, to my mind, proper direction.

Senator CLARK. But there was not any construction going on during that period?

Mr. HISS. There was a delay in construction, wasn't there?

Mr. GREGG. Had not the Government started on the construction of Nitro prior to January 1918?

Lieutenant Colonel HARRIS. The Nitro plant was started about 2 months before the Old Hickory. What date it is without looking it up I could not say. I think it is in January. I might say, as long as I am talking, as a result of this delay there was a proposal to build a third plant, because of the fear that was engendered by the growing demand for supply, and there was a proposal put forward to build a third plant of some size. I was one of the advisers on that and I advised against it; did not think it was necessary.

The CHAIRMAN. What was the one thing that prevented quick accomplishment of agreement there?

Lieutenant Colonel Harris. I think it must have been the difference of opinion by members of the War Industries Board and the du Pont Co. as to what their net profit would be.

Mr. Hiss. And the refusal by the du Pont Co. to enter into arbitration up to the point which we have now reached.

Mr. Irénée du Pont. That is not a fair remark. It never came up to arbitrate what was a proper compensation. Mr. Willard said if we would accept the proposition, and if we could not then agree on what was proper, we would arbitrate, but the holding up of this contract had nothing to do with failure to arbitrate.

Mr. Hiss. I beg your pardon. The November 26 letter of the War Industries Board was an offer to you to start immediate construction, to pay you $1,000,000 in advance, and to arbitrate what, if any, additional compensation might be paid to you, if you could not agree after 18 months' negotiation.

Mr. Irénée du Pont. That is only one clause in that, sir. It provides that the Secretary of War should determine at some time in the future, which would be to try to determine it.

Mr. Hiss. It does not provide that the Secretary of War is to determine it. It was to be based on negotiation.

Mr. Irénée du Pont. Negotiated by the Secretary of War.

Mr. Hiss. Negotiated by the Secretary of War with the du Pont Co.

Mr. Irénée du Pont. Do you think that anybody on behalf of the Government had a proper right to enter into a contract committing the Government to that kind of a proposition?

Mr. Hiss. I doubt it; but is that the reason you turned it down?

Mr. Irénée du Pont. It was not workable. I would not want to sign a contract of that kind. That would have been my reason.

The Chairman. Was that the reason at the time?

Mr. Irénée du Pont. I could not tell you what was in the minds of the other people, but I could not find anybody keen about it.

The Chairman. Colonel Harris, was there a more critical time during the war than that immediate time was?

Lieutenant Colonel Harris. It is hard to say which was the most critical time of the war, but certainly that was a very critical time.

Senator Clark. The Germans were about ready to break through on Paris?

Lieutenant Colonel Harris. March was a critical time on the western front, and this was 3 or 4 months before that.

Mr. Hiss. Mr. Irénée du Pont, in the letter written by Mr. Pierre du Pont, copy of which is before you, entered in the record as "Exhibit No. 1151", which is in answer to the proposition of the War Industries Board, I find no statement that the company was afraid of the legality of an arbitration clause.

At the bottom of page 5 it says [reading]:

> We have insisted that these general conditions be safeguarded in our proposition to the United States Government; that is, this work is to be allotted to us as agent of the Government, with absolute power as to the exercise of our judgment and discretion in its accomplishment.

To go back to the conditions, they are—

> First. The absolute confidence of our customers and our employees.
>
> Second. The placing of responsibility upon our men and upholding their decisions.

> Third. The offering of proper financial inducement to all employees and generous reward to every man who shows extraordinary attainments.
>
> Fourth. The pursuit of normal methods in conducting a very large business under prosperous conditions.

On page 6, the first complete paragraph reads:

> In arriving at the terms of the order as it now stands, we foresaw the possibility of a failure to operate the proposed factories after their completion. We, therefore, asked compensation for construction work, agreeing that this should be 6½ percent on the cost thereof. This condition was promptly eliminated when the Ordnance Department proposed that similar compensation would be guaranteed through the operations of the factories.

In other words, you at all times wanted compensation for construction as well as operation, and the reason you changed from a cost of construction and a cost of operation to a cost of operation plan was because compensation for construction would be guaranteed through the operation of the factories. [Continuing reading:]

> We also asked a minimum compensation on operation. At first 5 cents per pound on a base cost of 44½ cents was proposed. By this means the Government was to be assured powder at today's price and E. I. du Pont de Nemours & Co. was to be guaranteed a profit of 11¼ percent on cost. In naming this price we were confident that probable conditions would enable us to reduce the base cost which was proposed as an insurance provision only.

You, of course, expected to make more than 11¼ percent; is not that correct?

Mr. IRÉNÉE DU PONT. It would look like it if we could save the difference.

Mr. HISS. And you were confident that the probable conditions would enable you to do it, according to this statement of Mr. Pierre du Pont?

Mr. IRÉNÉE DU PONT. That sounds reasonable.

Mr. HISS. On page 8 [reading]:

> Whatever may be the position in regard to the compensation of E. I. du Pont de Nemours & Co., the essential point of interest is the cost of powder to the Government. Prior to the war the price of powder was fixed by congressional act at 53 cents per pound. War conditions have added 10 cents per pound to this cost for essential ingredients alone; so that today's comparative figure should be 63 cents per pound without any additional allowance to the powder manufacturer.

That does not take into consideration increased volume which might decrease cost, does it?

Mr. IRÉNÉE DU PONT. Of course, increased volume would tend to decrease costs quite materially, but the great thing was the improvement in efficiency in manufacture.

Mr. HISS. Which in itself reduced the cost?

Mr. IRÉNÉE DU PONT. We used less alcohol, which I pointed out. Alcohol was 12 cents, I think, without regard to your quotation.

Mr. HISS (reading):

> Under the order now before the War Industries Board the Government may obtain powder at 44½ cents, or 16 percent below pre-war prices in face of the above-mentioned advance in essential materials of 10 cents per pound.

That 44½-cent figure did not include depreciation charges, did it?

Mr. IRÉNÉE DU PONT. No.

Mr. HISS. Whereas, if the Government had been buying from you direct, it would have to include depreciation charges? In other words, the Government was standing its own depreciation charges?

Mr. IRÉNÉE DU PONT. Obsolescence, really. The plant would be useless after the war. Somebody had to pay for it.

Mr. HISS. So that 44½ cents does not represent the cost per pound of powder to the Government, since it had to stand the cost of construction less salvage?

Mr. IRÉNÉE DU PONT. Yes; they had to do that anyhow.

Mr. HISS. That had to be added into the 44½ cents. The cost turned out to be $85,000,000. Are you informed how much Old Hickory brought the Government, if anything, by way of salvage?

Mr. IRÉNÉE DU PONT. I am not informed.

Mr. HISS. Are you, Colonel Harris?

Lieutenant Colonel HARRIS. Approximately 3½ million dollars.

Mr. HISS. So that the difference between $85,000,000 and $3,500,000 must have been added into the 44½ cents.

Mr. IRÉNÉE DU PONT. Nobody knew the armistice was coming in 1918 at that time.

Mr. HISS. Therefore your statement that the Government could obtain powder at 44½ cents or 16 percent below pre-war prices is not a complete statement?

Mr. IRÉNÉE DU PONT. It is not complete, but it is accurate. There was no amortization of the plants when we quoted that, because it was a going concern, to be used year after year.

Mr. HISS. Do you know what your profit was when you were quoting 53 cents?

Mr. IRÉNÉE DU PONT. I think it varied from year to year.

Mr. HISS. May I introduce at this time the statement of sales to the United States Government from 1899 to 1914?

(The document referred to was marked "Exhibit No. 1152" and is included in the appendix on p. 3280.)

Mr. HISS. That shows in the left-hand column fixed investment less depreciation, the next column working capital. These are totaled as your total investment. Then are shown the number of pounds sold, the gross price per pound, and the net per pound. What does that net per pound mean? Mr. Eliason, can you get out a copy of that, so that we can have it before us?

Mr. ELIASON. Mr. Bradway has all that information.

Mr. HISS. This is a statement we had yesterday, the blue-backed study.

Mr. ELIASON. Is it the one which shows advances on the contract?

Mr. HISS. That is it. According to the next to the last column, your percentage of profit on your net investment, including fixed investment and working capital, in 1914, on sales to the United States Government—and this includes du Pont, Laflin & Rand, and International companies—was 28 percent in 1914, to June 30, apparently, 28 percent; in 1913, 20 percent; in 1912, 40 percent; in 1911, 41 percent.

There was very good reason why at that time there should be a reduction over the pre-war cost, was there not, Mr. du Pont, particularly in view of the increased volume and increased efficiency?

Mr. IRÉNÉE DU PONT. I think so, excepting for the increased cost of raw materials which must be taken into effect.

Mr. HISS. I think that this information might well be a footnote to the proposed chart as it applies to powder, which is going to be offered. Do you not think so?

Mr. Irénée du Pont. I think that would be quite proper, by stating what the costs were in previous years. We proceeded to meet that.

Mr. Hiss. And profit in previous years.

Mr. Irénée du Pont. I would like to explain one item. You put down total investment. This represents the actual working capital, the raw materials, the actual cost, and things in process, and all that. This represents an appraisal of what the reproductive cost of the buildings on hand and utilized was. It does not represent what the du Pont Co. paid for this in 1904, which was a great deal more than that.

Mr. Hiss. At the bottom of this page there is a statement as to your original investment. Over the period 1899 to June 1914, it is stated that on sales to the United States Government there was a 25-percent return on investment.

Mr. Irénée du Pont. That investment is reproducible investment. That is the point I wanted to make there. That does not represent what the E. I. du Pont de Nemours Powder Co. paid for these properties in 1904. They paid a great deal more than that, because we had to pay for their earning power at that time, which had all been absorbed in previous years. They had built up a goodwill and "know-how" and destroyed a great many buildings which had been built because, with the advance in the art, they were not necessary and because improved buildings were put in.

Mr. Hiss. In stating this for your directors, that information did not seem to be important?

Mr. Irénée du Pont. It was understood. That was the appraisal. I helped make the appraisal myself.

Mr. Hiss. On page 9 of "Exhibit No. 1151", which refused the offer of the War Industries Board, it states:

> Our willingness to negotiate—

This is the top of the page—

> has been based entirely upon the necessities of the Government and the belief that our company is not only the best equipped for executing the work promptly but practically the only organization capable of so doing.

Is it not true that that was the general belief, not only of yourself but of the War Department, and of most informed people on the subject?

Mr. Pierre du Pont. The chief of the War Department advised us directly to the contrary.

Mr Irénée du Pont. The Secretary of War.

Mr. Pierre du Pont. I mean the Secretary of War.

Mr. Hiss. Not according to the letter. The War Industries Board specifically stated in their letter that it was their belief that you were the best people [reading from "Exhibit No. 1148"]:

> It is our opinion that the du Pont people are in every way the best fitted for securing this result.
>
> We are of the further opinion that the emergency nature of the case requires that the proposed plant be constructed in the least possible time and operated with the greatest efficiency. * * *

It was only the compensation which was causing the delay.

Mr. Pierre du Pont. I did not so consider it, but the Secretary's statement practically meant that we were not needed in the situation, although we were and always did think so.

Mr. HISS. On page 9 of " Exhibit No. 1151 " you state:

> The order of General Crozier dated October 25, 1917, we thought official and final. On its receipt work was begun by us.

As a matter of fact, some work—we won't try to determine how much, because there has been some dispute as to it—some work was done before that. That is true, is it not?

Mr. PIERRE DU PONT. Yes, sir.

Mr. HISS. You state, on page 10 [reading]:

> Since then—

Since the receipt of the telegram of October 31—

> or for a period of 1 month, everything has been held in abeyance.

That was not quite accurate, was it? You had continued with the options, you had received instructions from General Crozier to take up options on machinery, and to begin taking up options on land?

Mr. PIERRE DU PONT. But that was a very small part of the whole thing.

Mr. HISS (reading):

> We do not know of any criticism as to the fairness of the compensation proposed for the construction and operation of these plants.

You at that time did not know of Mr. Brookings' letters of November 7 and the later letter of November 14, I think?

Mr. PIERRE DU PONT. Those letters I had never seen before. Colonel Buckner might have known of them, but I certainly did not.

Mr. HISS (continuing reading " Exhibit No. 1151 "):

> The stumbling block seems to be the payment of the whole compensation to one corporation, especially to E. I. du Pont de Nemours & Co. To meet this difficulty, we have offered to surrender any part of the work, or preferably the whole of it, and to furnish other contractors with drawings of existing plants free of charge. We have insisted on two things only:
>
> First, that we shall not be responsible for mistakes of others, that is, we will not operate a factory built by others, nor will we build a factory to be operated by others; and on any one factory site the entire work shall be done by us.
>
> Second, that for any part of the work done by us we shall receive a rate of compensation that is fair, even though the total amount of money so received may seem large if the magnitude of the work involved is not considered. * * *
>
> We, therefore, submit that the following must be of the essence of our contract with the United States Government in this important work:
>
> First, the absolute confidence of the Government in us and our ability to perform the duties allotted to us. * * *
>
> Second, the responsiblity to us for ultimate success of the undertaking without interference. * * *
>
> Third, a decision as to proper compensation for our services, including an allowance for extraordinary performance, such as that already named in the order of October 25 issued by General Crozier.

I find nothing in this letter which says that the company was fearful of accepting any offer of arbitration because it might exceed the powers of the Government.

Mr. PIERRE DU PONT. No.

Mr. HISS. Was that in your mind in writing the letter, so far as you can recall?

Mr. PIERRE DU PONT. I do not recall it in that form, but I thought it highly inadvisable to enter into that kind of a contract with the

Government, where we had no protection against what their idea of proper compensation was or what should be charged to compensation.

Mr. HISS. On December 3, 1917, the War Industries Board held a special meeting at which were present Mr. Willard, chairman; Mr. Baruch; Mr. Brookings; Admiral Fletcher; Judge Lovett; and Mr. Bingham, secretary. I offer excerpts from the minutes of this meeting as the next exhibit.

(The document referred to was marked " Exhibit No. 1153 " and is included in the appendix on p. 3281.)

Mr. PIERRE DU PONT. Might I say something in regard to the October contract? That was a firm contract, we thought, from the Government, signed, and had started in operation. It was abrogated the next day, almost, maybe 2 days afterward. We made no complaint about that. We accepted the new situation and went ahead trying to be useful, without any prospect, so far as the Secretary's announcement was concerned, that we were wanted in the picture or would be in the picture, but we still maintained right down that anything we had was open to the use of the Government or we would undertake the work. We could not have done much more.

Mr. HISS. On December 3, 1917, at the special meeting to which I referred, the following appeared [reading]:

> *Special meeting, increase powder facilities.*—The Secretary of War informed the Board that the du Pont Co. had refused to undertake the building of the proposed powder plant on any other terms than those contained in their last proposition, except for a minor change which was considered to have little or no effect on the favorableness of the proposed arrangement.

That was the offer to limit the contract to 10 percent on construction and 15 percent on operation. That is the only change which your board of directors had specified in the resolution of November 28, which has already been introduced. Is that correct?

Mr. PIERRE DU PONT. I am not sure. I cannot tell.

The CHAIRMAN. In the meantime, Colonel Harris, who was the secretary of the War Industries Board?

Lieutenant Colonel HARRIS. He was the secretary of the War Industries Board, Mr. Bingham.

Mr. HISS. What was his first name?

Lieutenant Colonel HARRIS. I will find out, sir. I do not know.[1]

Mr. HISS. On December 10——

Mr. PIERRE DU PONT. I have not assented to your statement. That is your testimony, so far, and not mine.

Mr. HISS. All right, sir.

May I call your attention to the extract from the board of directors' minutes of the du Pont Co. of November 28, 1917, already introduced in evidence? [Reading from " Exhibit No. 1150 ":]

> Whereas, in the judgment of this board, this company's revised proposal declined by the War Industries Board, by letter of November 26, 1917, will, if accepted, return us a net total compensation of not more than 10 percent on the construction cost and 15 percent on the operating cost; and
>
> Whereas this board feels that the War Industries Board must be of the opinion that the compensation may be materially in excess of the above percentages; therefore, be it
>
> *Resolved*, That the Secretary of War be advised that this board is willing to add a clause to its said revised proposal under and by which the du Pont Co. will agree that in no event shall the total compensation received by this com-

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[1] See p. 3207 for additional information regarding Mr. Bingham.

pany be an amount greater than 10 percent of the actual construction cost and 15 percent of the actual mill cost * * *.

Did you inform the Government of that action of your board, Mr. du Pont?

Mr. PIERRE DU PONT. I am not certain that that was sent them. But this letter to Mr. Willard, on December 1, covers the ground. I do not care whether this was submitted or not.

Mr. HISS. The letter of December 1 refused the offer of November 26. which was that you start work with the payment of $1,000,000 and leave the compensation to be determined by negotiation which, if not completed, if not successfully terminated at the end of 18 months, would then be open to arbitration. This letter refused that. My question was, Did you inform the Secretary of War of this resolution of your board of directors?

Mr. PIERRE DU PONT. I have no record of that. I do not know. But the letter of December 1 outlined our position. It refused their proposition and on the next to the last page (no. 11) stated what the essence of our proposed contract was to be, which was indefinite, to be sure, but it was not quite in line with what you said.

Mr. IRÉNÉE DU PONT. Mr. Secretary, can you give me the authority of Mr. Bingham in stating that the du Pont Co. had refused to undertake the building of the proposed powder plant on any other terms than those contained in the last statement? Have you any authority for that statement?

Mr. HISS. My authority is the letter of December 1, 1917, "Exhibit No. 1151" which has just been read, and in which Mr. Pierre du Pont said:

> We therefore submit that the following must be of the essence of our contract with the United States Government in this important work * * *.
>
> It is with deepest regret that we find ourselves unable to accept the plan of the War Industries Board, but trust that this letter of explanation, together with our willingness to limit our compensation in the manner above stated, will enable the Board to reach a conclusion in this important affair.

That is, namely, 10 and 15 percent, which was contained in the resolution?

Mr. PIERRE DU PONT. This says we refused to do it on any other terms.

Mr. HISS. Read a little further, "except"——

Mr. IRÉNÉE DU PONT (reading):

> For a minor change.

Mr. HISS. That is right. Which is the 10 and 15 percent change. That is the only thing which your board authorized you to do.

Mr. IRÉNÉE DU PONT. But we did not refuse to do it under any other terms.

Mr. HISS. You refused to do it under their offer.

Mr. IRÉNÉE DU PONT. Yes.

Mr. HISS. And replied that you would do it under the then-considered proposition, limited to 10 and 15 percent on construction and operation, respectively.

Mr. IRÉNÉE DU PONT. That is correct, but it does not say we refused to do it under any other terms.

Mr. PIERRE DU PONT. As a matter of fact, we did it under other terms.

Mr. Irénée du Pont. I recall Mr. Bingham's report being incorrect and was demonstrated as being incorrect by subsequent happenings.

The Chairman. Mr. du Pont, do you know who H. P. Bingham is?

Mr. Irénée du Pont. I do not.

The Chairman. Is that Harry Payne Bingham?

Mr. Irénée du Pont. I could not tell you.

The Chairman. Harry Payne Bingham happens to be one of those listed in the evidence taken yesterday, concerning those with incomes of $1,000,000 or more per annum throughout this period. You do not have personal acquaintance with him to know whether this is the same Bingham?

Mr. Irénée du Pont. I am sorry to hear he is considered a culprit.

Mr. Hiss. On December 10, 1917, Mr. Pierre du Pont wrote another letter to the Secretary of War. The previous letter refused the offer of the War Industries Board of December 1.

(The letter of Dec. 10, 1917, and attached proposal referred to were marked "Exhibit No. 1154" collectively and are included in the appendix on p. 3281.)

Mr. Hiss. On December 10 the statement is made:

> * * * 6 weeks of valuable time has already been lost * * *.

Over what issue was the loss of time, Mr. du Pont? Only on compensation, was it not?

Mr. Pierre du Pont. No, sir. It was entirely different. Weeks of valuable time were lost to the Government in getting a powder supply, in my opinion.

Mr. Hiss. I beg your pardon. You misunderstood my question. The cause of the loss was a dispute as to the amount of compensation. That was the only thing on which you had not agreed?

Mr. Pierre du Pont. I was not certain that was the case. The Secretary in turning us down did not say that was the case. He said the American people were going to do it themselves, whether it cost more or less, and Mr. Brookings' opinion certainly substantiated that. He did not care what was made out of it, as long as there was no profit in it.

Mr. Hiss. Mr. du Pont, you had the letter of November 26, 1917, from the War Industries Board, which made you an offer to do the job. Why do you feel you were not sure they wanted you to do the job, although they had said so in writing?

Mr. Pierre du Pont. We looked to the Secretary as being the chief. Maybe we were wrong.

Mr. Hiss. The Secretary had turned that over. Your reply of December 1 said:

> We refuse to consider—

The company refuses to consider—

> the offer of the War Industries Board.

That must mean that the Secretary had adopted the resolution and had turned it over to you to consider. Is not that correct?

Mr. Pierre du Pont. I do not think so.

Mr. Hiss. You did not consider that an offer that could be accepted?

Mr. Pierre du Pont. Certainly, something could be negotiated. I did not distinguish between what they said and what the Secretary said, except he made the final say, which did not jibe with what they had said.

Mr. HISS. In your letter to the Secretary you do not refer to the terms of a prior offer, but refer specifically to the offer of November 26, 1917, as though he had adopted it, and you limited yourself to addressing yourself to that particular offer.

On December 10, 1917, in the letter to which I have referred, you say further:

> Yesterday General Crozier requested a conference at Wilmington. Prior to his coming the executive committee of our company, Mr. E. G. Buckner and myself determined to ask him whether there is a general agreement at Washington that our company's services are necessary to the Government and whether we are right in supposing that the question of compensation is alone responsible for the delay.

Was not that your then opinion, Mr. du Pont, that that was the only thing responsible for delay?

Mr. PIERRE DU PONT. We determined to ask him whether that was.

Mr. HISS (reading):

> And whether we are right in supposing that the question of compensation is alone responsible for the delay.

Do you not suppose that the question of compensation was alone responsible for the delay?

Mr. PIERRE DU PONT. The record here would look that way, but I do not remember back as to just the circumstances.

Mr. HISS (continuing reading):

> If so, we determined to agree to submit to arbitration the disputed question in order that nothing might interfere with this important work.

The original offer was October 25.

Senator CLARK. Read the last sentence again, Mr. Hiss.

Mr. HISS (reading):

> If so, we determined to agree to submit to arbitration the disputed question in order that nothing might interfere with this important work.

That is 9 days after the refusal to accept an offer which involved as one term possible arbitration. That is the thing which Mr. Irénée du Pont testified he thought was beyond the Government's authority.

The copy of the proposal which is attached to "Exhibit No. 1154" reads as follows:

> Whereas it appears necessary for the welfare of the United States that E. I. du Pont de Nemours & Co. should undertake the work of construction and operation of the proposed Government factories for the manufacture of military smokeless powder at rate of 1,000,000 pounds per day; and
>
> Whereas this work, which was ordered begun by order of General Crozier under date of October 25, 1917, has been discontinued by telegraphic order of the Secretary of War dated October 31, 1917; and
>
> Whereas the Government desires continuation of this work if the question of compensation under the order can be satisfactorily arranged: Now, therefore,
>
> E. I. du Pont de Nemours & Co. proposes to accept the order of October 25, 1917, with proper allowance for time already lost—

That means compensation to you for any services you have undertaken; is that correct?

Mr. PIERRE DU PONT. I should say it was advancing the time of completion.

Mr. Hiss (reading):

> Together with the modifications thereof suggested in the proposed form of order dated November 19, 1917, changed to provide for capacity of 1,000,000 pounds per day, and letter of December 1 of E. I. du Pont de Nemours & Co. addressed to the Board of War Industries in reply to their letter of November 26, 1917. Copy of these documents are attached hereto. The letter of December 1 is to be further modified so that the maximum compensation shall be 15 percent on cost of manufacture plus 10 percent on cost of construction. * * * All of these modifications are embodied in the suggested form of order dated December 11.

You will note that this letter is dated December 10, so that the attached draft was dated a day ahead of time, and I assume was a draft intended for use the following day. Is that correct?

Mr. Pierre du Pont. Just a moment. You said all of these modifications are included?

Mr. Hiss. I was reading from your proposal, Mr. du Pont, at the top of page 2 of your proposal:

> All of these modifications are embodied in the suggested form of order dated December 11, 1917.

I show you a copy of that as received from the files of the War Department. I have compared this draft of December 11 with the November 19 draft, which has previously been offered in evidence, and find that in substance the two are identical, except that this provides in paragraph 11 for $900,000 compensation a month instead of $450,000 a month in the event of termination prior to 6 months from the date of the agreement—

Mr. Pierre du Pont. Is not that because of the increase of the size of the plant?

Mr. Hiss. It may be.

Mr. Pierre du Pont. The original plant was a $500,000 plant.

Mr. Hiss. I have no doubt that is correct.

(The order of Dec. 11, 1917, referred to was marked "Exhibit No. 1155", and is included in the appendix on p. 3283.)

Mr. Hiss. And that the price of 48½ cents is specifically stated. It is the cost for air-dried powder, in paragraph No. 10.

Mr. Pierre du Pont. For air-dried or water-dried?

Mr. Hiss. For air-dried. The water-dried was already in.

And that a new paragraph was inserted providing a maximum compensation of 15 percent of cost of operation. You will find that at paragraph 15, the 15 percent of cost of operation and 10 percent of cost of construction, less 6⅓ percent when the cost of operation exceeds the 6⅓ percent. In other words, that was to be reimbursed to the Government so that a maximum of 6⅓ percent would be paid if operation continued long enough.

Now, will you please explain to me what this offer to arbitrate means, when you state that it must be subject to the letters that you have referred to, and that their modifications are embodied in the suggested form of order? How does this differ from the offer you had already made? I call your attention particularly to the next paragraph.

Mr. Pierre du Pont. I could not tell you without examining it.

Mr. Irénée du Pont. Mr. Secretary, you are going so fast on these things—remember, these things are 15 or 16 years old. You are flashing one letter after another; before we can even read through it you are off on something else. If you are trying to get information from me, you are approaching it in such a way that I cannot give information. I think we need to study these things and find out what you are driving at. You reel these things off so fast I cannot follow you.

Mr. Hiss. I was asking that particular question of Mr. Pierre du Pont. I am sorry.

Mr. Irénée du Pont. I am quite sure he is in the same position.

Mr. Pierre du Pont. I am in that position with respect to this letter.

Mr. Hiss. Will you please refer to the last paragraph on the last page of the proposition, not of the draft of December 11, I think you will find the gist of the whole thing in there. I must say I am unable to understand what your offer to arbitrate meant.

Mr. Pierre du Pont. I can only make a guess on that. I have not the least recollection what it meant. But as I have reviewed the subject, it was evidently an attempt to arbitrate the question of whether certain outlay was to be included as an expense or was to be part of the compensation. This whole contention arose over the question as to whether out-of-pocket expenses, which we had, we thought, clearly shown would occur, should be considered as profit or not. Naturally, the company would make no profit from the out-of-pocket expenses. The Secretary continually claimed that we did make a profit of 15 percent regardless of the fact that most of that was dissipated in necessary expenses. It was that character of thing, I imagine, that was to be arbitrated.

Mr. Hiss. It was not an offer, in your opinion, to arbitrate all question of compensation?

Mr. Pierre du Pont. I really do not know, but I do not think so.

Mr. Hiss. I can say that I find it very difficult to understand just what the proposition is. It is not very clearly stated.

Mr. Pierre du Pont. The controversy was over what was considered expense and what was considered profit in the 15 percent. That was the question at issue right through. I think that this related to those questions.

Senator Clark. Did I understand you to say that most of the 15 percent was dissipated in out-of-pocket expenses?

Mr. Pierre du Pont. That is the way we put it up in our original letter.

Senator Clark. I understood it was said that would be a net profit of 10 percent out of the 15?

Mr. Pierre du Pont. Yes; we put it there; but in the same 10 percent we realized that a great deal might be in jeopardy over this question of what was profit and what was not. From his own definition of profit, the Secretary considered the expenses of our engineering department in promoting freight as part of the profit. It is clearly out-of-pocket expense in sending men out all over the country to look after the freight coming in, to make sure it was delivered in time. But the Secretary evidently included that in the profit. I think it was because he did not clearly understand the situation. He had thousands of things on his mind at the time. I am not surprised he did not take it in. But that was a fact as far as we were concerned.

Mr. Irénée du Pont. Mr. Chairman, on this arbitration, I have had time to read this letter. Is it not perfectly clear that this arbitration would be in advance of signing the contract to arbitrate what is a fair contract? The arbitration referred to by Daniel Willard was to do the job, spend maybe tens of millions of dollars, and then be in a position, having been bust, to go to the Government to arbitrate on what we ought to get for it and what was expense and what we ought to absorb. I think one is arbitration before we signed the contract and the other is an arbitration to determine what was fair after the contract was done. I do not think any prudent man ought to be asked to put up enormous sums of money and then have them arbitrate whether he had done it right and what compensation he ought to have.

Senator Vandenberg. Were you putting up enormous sums of money under any of these agreements?

Mr. Irénée du Pont. According to Mr. Brookings' thing, we might be hooked for any amount of money.

Senator Vandenberg. Underlying the whole proposition, is it not Government money that is at risk and not your own?

Mr. Irénée du Pont. I do not know. He did not say anything about the Government putting up the money and using that. Even if they did, how much of it might we be hooked for?

Senator Vandeberg. Is not the theory of the entire negotiation that the Government is funding the investment?

Mr. Irénée du Pont. There is nothing said about it in Mr. Willard's letter at all. Presumably they would have to. We did not have the funds to do it at all. But he wanted to suggest instead of having a contract that we go ahead and do it without any arrangement and arbitrate it after the fact. This, as I read it, arbitrates in advance of the contract what a fair contract would be.

Mr. Hiss. Where do you find that, Mr. du Pont?

Mr. Irénée du Pont. The context indicates that.

Mr. Hiss. Which part of the context?

Mr. Irénée du Pont. This part of "Exhibit No. 1154" you have just read. [Reading:]

> In accepting this order we agree that all questions of compensation to our company for service to be rendered both in construction and operation of the factories shall be referred to a board of arbitration of three members, one to be appointed by the Secretary of War—

and so forth.

Mr. Hiss. How would you phrase it? Wouldn't you enter into an order, begin work immediately, and arbitrate the question of compensation while you were carrying out the contract?

Mr. Irénée du Pont. We had that only on an advance of a million dollars or these other figures.

Mr. Hiss. Where is that?

Mr. Irénée du Pont. This letter from Mr. Willard.

Mr. Hiss. But Mr. du Pont, the attached form which you are willing to submit to arbitration has no mention of the million-dollar advance in it.

Mr. Irénée du Pont. That is what I say.

Mr. Hiss. You were not addressing yourself to the million-dollar advance?

Mr. IRÉNÉE DU PONT. No. But you asked me how we would state it if we wanted to arbitrate after the building. I say we would refer to that.

Mr. HISS. May I call your attention to the draft of December 11? Under section 6 of that draft, which was entered as "Exhibit No. 1155"—

> the Government will pay directly or will reimburse you for all cost incurred in the construction of the plants:
>
> (*a*) There shall be included as a part of the construction cost and paid to you a sum equal to 1⅔ percent of all disbursements.
>
> (*b*) There shall also be included as a part of the construction cost a sum equal to 6⅓ percent of all disbursements.

That first one was to be used by way of bonuses. The second was payment to you. That paragraph is excluded from the offer to refer certain paragraphs to arbitration. In other words, you agree that you would be paid 6⅓ percent of the construction cost and additional compensation to be arbitrated. Have you ever participated in arbitration proceedings, Mr. du Pont?

Mr. IRÉNÉE DU PONT. Not with the United States Government; no, sir.

Mr. HISS. Have you ever participated in any arbitration proceeding?

Mr. IRÉNÉE DU PONT. I presume I have.

Mr. HISS. Of this magnitude?

Mr. IRÉNÉE DU PONT. No.

Mr. HISS. How long do you think it would take to have an award conferred and handed down in such a matter as this?

Mr. IRÉNÉE DU PONT. I would say if three men could not get together——

Mr. HISS. Would it not take months of preparation for argument before a board of arbitrators?

Mr. IRÉNÉE DU PONT. It would according to the way a lawyer would go at it, but I should think that three business men getting together could decide on a contract, that would be fair.

Mr. HISS. You had not been able to, from October 25 to December 10.

Mr. IRÉNÉE DU PONT. The trouble was we were not dealing with business men. We were dealing with the Government.

Senator CLARK. Dan Willard was a pretty good business man.

Mr. IRÉNÉE DU PONT. He may be an excellent business man. So were all the others. But when you get into the machinery of government, you get into all sorts of details, as we found.

Senator CLARK. You mean they lose their business sense?

Mr. IRÉNÉE DU PONT. Not necessarily.

Mr. PIERRE DU PONT. Mr. Secretary, picture this: Supposing the war had suddenly ended during the course of construction, we would have made numerous contracts and commitments and then——

The CHAIRMAN. What would those commitments and contracts amount to, at the outside?

Mr. PIERRE DU PONT. I have not the slightest idea, all depending on when they occurred. If we had ordered materials ahead in prospect of full operation on the representation of the Government reimbursing us, and they had suddenly said, "Shut down", and refused to pay, we would have been out on quite a limb. We could not have made payments. The Government might refuse the money to us and not help us any. We know that on this final contract which was executed and operated, after the war was ended and everything was shut down, it took us 8 years to get a settlement of that contract, with very few, comparatively, things to be settled.

If that had occurred during construction, with the money paid out by us, I do not know how long it would have taken.

Senator VANDENBERG. Is there any of your own capital at risk in any of these propositions?

Mr. PIERRE DU PONT. I think so, on a proposition such as this, because we made the commitments with the contractors for materials and everything else. The Government was to reimburse us. But if the Government had not reimbursed us, we were in a very bad fix. We know from our experience with the Government when the final transaction was liquidated that it took 8 years for them to settle up with us.

Senator VANDENBERG. But the theory of of the procedure was that it was not your capital at risk; am I wrong about that?

Mr. PIERRE DU PONT. I do not know what your theory is. My theory is——

Senator VANDENBERG. I say, the theory of these negotiations is that the Government is going to hold you harmless against loss. That is the theory of the negotiations, is it not?

Mr. PIERRE DU PONT. Yes; but the practice of such things is so at variance with theory that I do not think any reasonable man would undertake such a contract. As it turned out in the end, I think the contract was very much better written, because the Government's reimbursement was much more prompt than expressed in this last statement that the Government will pay directly or reimburse you.

The CHAIRMAN. Mr. du Pont, why would you object to anyone appointed on the board of arbitration on this proposition being connected with the Government, an officer of the Government?

Mr. PIERRE DU PONT. I do not remember that I put that in. I do not remember that I had any objection.

The CHAIRMAN. The proposition says this [reading from "Exhibit No. 1154"]:

> No arbitrator shall be an officer of or a person receiving compensation from the United States Government, or an officer, employee, or stockholder of E. I. du Pont de Nemours & Co.

Mr. PIERRE DU PONT. I think both are proper provisions. I cannot see any impropriety in it.

The CHAIRMAN. Perhaps not, but it rather impressed me that you were putting yourselves quite on a par with the Government as respected the ultimate disposal of the proposition.

Mr. PIERRE DU PONT. I think it is customary in any arbitration that the two sides shall not be represented in the arbitration.

Mr. HISS. Mr. Irénée du Pont, do you still say that in your opinion this offer to arbitrate was an offer to arbitrate before signing a contract rather than——

Mr. IRÉNÉE DU PONT. I ask you if that was not very clear from the context.

Mr. HISS. I said that it certainly did not seem clear to me. I am asking you if you still think it is clear to you.

Mr. Irénée du Pont. I should say that is what the intent was. It looks like it. I do not recall it.

Mr. Hiss. A formal arbitration before a board——

Mr. Irénée du Pont. What do you mean by "a formal arbitration"? If you mean one strung out for months, no; it would not be worked; could not be worked.

Mr. Hiss. The reference in your proposal is that there is to be—

> a board of arbitration of three members, one to be appointed by the Secretary of War and one by E. I. du Pont de Nemours & Co.; the third to be appointed by the two arbitrators so chosen; no arbitrator to be an officer of, or person receiving compensation from the United States Government, or an officer, employee, or stockholder of E. I. du Pont de Nemours & Co. These arbitrators shall have placed before them this letter and the documents attached hereto and shall determine the compensation due our company in view of the services to be rendered and in view of the compensation provided in similar contracts now being entered into by the departments of the United States Government. The board of arbitration will be furnished such additional data as may be needed for reaching a conclusion. Their decision shall state the compensation to be provided by paragraphs 10, 11, 13, and 15 of the suggested form of order dated December 11, 1917, and shall be final and binding on both parties.

Does not that seem to you a formal statement of a formal arbitration?

Mr. Irénée du Pont. I will not quarrel with you over the "formal" but I will ask you, can you conceive that that was to be determined at the close of the war, at the finish of the construction of this plant, or currently? We give them currently these things. We are negotiating with them. Say what is fair; that is what it says. And that is why I say it must have been intended to be, "arbitrate when you are writing a contract what you are going to put in." Certainly it is not the intention to wait until the thing is completed and find out after the fact what is a fair compensation.

Mr. Hiss. If you are going to be bound to go ahead with the price fixed, what difference would it make whether they settle it before you start or after you start?

Mr. Irénée du Pont. I think it makes a great deal of difference.

Mr. Pierre du Pont. Mr. Chairman, I think you are arguing at cross purposes, because I do not agree with my brother. How can the three of us agree?

Mr. Irénée du Pont. There is nothing new in that.

The Chairman. The committee will be in recess until 2 o'clock.

(Thereupon, at 12:15 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(The committee met pursuant to recess at 2 p. m.)

TESTIMONY OF IRÉNÉE DU PONT, PIERRE DU PONT, C. T. HARRIS, W. S. GREGG, J. B. ELIASON, AND A. C. NIELSEN—Resumed

The Chairman. The committee will be in order.

Mr. Hiss, before you proceed, I should like to have the record cleared as respects the matter of Mr. Bingham, whose case was referred to this morning. Mr. Bingham, who came into evidence as secretary of the War Industries Board—was that it?

Mr. Hiss. That is correct.

The Chairman. Mr. Bingham, who came into evidence as secretary of the War Industries Board, was the Henry Payne Bingham who appears as one of those enjoying incomes during the war period of more than a million dollars a year. Incidentally, his service as secretary of the Board was on the $1-a-year basis. The committee has been unable to ascertain the business connections of Mr. Bingham, but will during the course of its study so ascertain.

You may proceed, Mr. Hiss.

Mr. Hiss. I have been furnished with a memorandum from the War Department as to the total advances shown by the records of the War Credits Board and other advances authorized by the Secretary of War. I assume that all these are limited to war-time advances?

Is that correct, Colonel?

Lieutenant Colonel Harris. Yes.

Mr. Hiss. I will offer this as an exhibit.

(The memorandum referred to was marked "Exhibit No. 1156" and is included in the appendix on p. 3286.)

Mr. Hiss. I will call attention to the fact appearing from this exhibit that contractors for the Quartermaster Corps had advanced to them through the War Credits Board $19,000,000; that contractors of the Signal Corps, which included the purchases for the Air Corps, had advanced through the War Credits Board $53,000,000; and that contractors of the Ordnance Department, as stated yesterday, had advanced to them $174,000,000.

In addition, the Secretary of War authorized $4,000,000 for advances relating to contracts for the Signal Corps, $17,000,000 additional for similar contracts of the Quartermaster Corps, and $84,000,000 in connection with contracts of the Ordnance Department.

Colonel Harris has also answered the question that was put yesterday as to whether the letter of April 27, 1917, showing that it had been prepared for the signature of the chairman of the General Munitions Board, which stated that 50 cents a pound for .30-caliber powder for water-dried, 62 cents for air-dried, 47½ cents for cannon powder for water-dried, 50 cents for air-dried, and 50 cents for seacoast cannon powder for air-dried were fair prices, was actually signed by the chairman of the General Munitions Board. Colonel Harris has brought to the hearing the original files of the Ordnance Department on this matter, and they show a carbon copy of the letter sent to the Ordnance Department at the time the letter went out.

Mr. Pierre du Pont. Mr. Hiss, may I ask on that question of advances, Does that show the balance outstanding at any particular time?

Mr. Hiss. I think this is total advances for the war period.

Is that correct, Colonel Harris?

Lieutenant Colonel Harris. Yes.

Mr. Pierre du Pont. But those amounts were not outstanding at any time, even the single items?

Mr. Hiss. I do not know that that appears.

Mr. Pierre du Pont. There is nothing to show what balance is outstanding in any of these accounts at any time, is there?

Mr. Hiss. No.

Mr. PIERRE DU PONT. Therefore there may have been a very much smaller balance outstanding, the rest having been accounted for by vouchers showing expenditures.

Mr. HISS. Colonel Harris, was the Old Hickory contract the largest construction contract undertaken by the Government during the war?

Lieutenant Colonel HARRIS. I am not prepared to say about the Government. It was the largest by the War Department.

Mr. HISS. The largest by the War Department?

Lieutenant Colonel HARRIS. Yes.

Mr. HISS. Was it the largest contract of any kind; that is, including purchase as well as construction, undertaken by the War Department during the war?[1]

Lieutenant Colonel HARRIS. I believe it was.

Mr. HISS. Could you verify that?

Lieutenant Colonel HARRIS. I can; yes.

Mr. HISS. Mr. Pierre du Pont, in selling to the Allies, did you sell direct or was there a purchasing agent in this country who purchased for some or all of the Allies?

Mr. PIERRE DU PONT. I believe a great many of the contracts were made through Morgan & Co.

Mr. HISS. As purchasing agents for some of your customers?

Mr. PIERRE DU PONT. That was for the British and French Governments. I do not know what relation there was.

Mr. HISS. Do you know what proportion of the total sales of your company of powder to England and to France went through Morgan & Co.?[2]

Mr. PIERRE DU PONT. I haven't it in mind. I think we have a record of it.

Mr. HISS. Mr. Eliason?

Mr. ELIASON. I have not anything definite on it at all. We can supply the record for you.

Mr. HISS. Will you please do so?

Mr. ELIASON. Yes.

Mr. HISS. Mr. du Pont, in negotiating for contract sales abroad, did you conduct negotiations as well as enter into formal contracts with Morgan & Co. at times?

Mr. PIERRE DU PONT. Morgan & Co., as agents for the British Government, for instance, came to us with their requirements and negotiations were entered that way.

Mr. HISS. Were they authorized or did they carry out negotiations on price and such matters with you, or did they simply place orders?

Mr. PIERRE DU PONT. I was not in direct contact with that, but my recollection is that they negotiated and placed the order.

Mr. HISS. Do you know which members of the firm of Morgan & Co. or what representatives of Morgan & Co. dealt with you most frequently in that connection?

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[1] Colonel Harris later verified this.

[2] Under date of Dec. 18, 1934, the du Pont Co. informed the committee that the total sales value of contracts with the British and French Governments aggregated $490,573,806. Of these sales, J. P. Morgan & Co. acted as agent, under sales contracts aggregating $351,259,813.28. The sales made through Morgan & Co. accounted for 71.60 percent of the total military business done with the British and French Governments during the war.

Mr. PIERRE DU PONT. No; I could not say.

Mr. HISS. Is there anyone from your company who knows?

Mr. IRÉNÉE DU PONT. I could answer that. Edward Stettinius.

Mr. HISS. Mr. Stettinius?

Mr. IRÉNÉE DU PONT. My impression is that the earlier contracts were negotiated by representatives of the governments sent over here, and the Morgan arrangement was made later, but I could not tell you what date.[1]

Mr. HISS. Mr. Eliason, will you furnish that data?

Mr. IRÉNÉE DU PONT. The contracts will show who they were signed by.

Mr. HISS. Colonel Harris, was the proposed contract at Charleston, W. Va., finally awarded to a company other than the du Pont Co.?

Lieutenant Colonel HARRIS. It was.

Mr. HISS. Do you remember the name of the company?

Lieutenant Colonel HARRIS. I think it was Thompson Starrett; but after looking up this other Starrett name, it has gotten me confused. I can answer the question you asked me this morning, however.

Mr. HISS. You have documents here with which to check up?

Lieutenant Colonel HARRIS. You asked who Mr. Graham was this morning.

Mr. HISS. Yes.

Lieutenant Colonel HARRIS. I have that in my records, and a little later on I can tell you.[2]

Mr. HISS. All right, sir.

I will offer this next document, dated December 12, 1917, a letter from the Secretary of War, for appropriate marking.

(The letter referred to was marked "Exhibit No. 1157", and is included in the appendix on p. 3286.)

SECRETARY OF WAR NOTIFIED DU PONT CO. THAT NEGOTIATIONS WERE CLOSED

Mr. HISS. On December 12, 1917, the Secretary of War replied to the letter of December 10, which we have discussed before, stating that:

> On the 10th day of December Mr. Pierre S. du Pont and Mr. Buckner presented to me your letter of that date with regard to the question of manufacturing smokeless powder and the creation of additional capacity therefor. Prior to December 10 this matter had been under consideration between your company and the War Department, a full history of our conferences and correspondence appearing in the papers, of which both your company and the Government have copies.
>
> After the receipt of the letter from your company definitely declining to accept a proposition from the Government as formulated in the suggestion of the War Industries Board and presented by me to your company——

That indicates, Mr. Pierre du Pont, that the Secretary of War had adopted the letter of the War Industries Board as his offer as well as their offer, or as well as their recommendation. Does that refresh your memory on that particular point, on which you were uncertain this morning?

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[1] Under date of Apr. 19, 1935, the du Pont Co. informed the committee that their records indicate that the first contract on which J. P. Morgan & Co. acted as agents was dated Feb. 17, 1915, and they continued to act in this capacity until June 30, 1917.

[2] Footnote, p. 3185.

Mr. PIERRE DU PONT. It appears so; yes.

Mr. HISS (continuing):

> the War Department proceeded to work out a plan for the direct creation of this capacity by the Government itself. I therefore notified Mr. du Pont and Mr. Buckner on December 10 that the question would not be reopened, and that the Government would proceed directly in the matter. I then assured Mr. du Pont of my great appreciation of the generous willingness expressed by your company to aid the Government in its undertaking.

On December 15, 1917 the Secretary of War appointed Mr. Jackling to take charge of the problem relating to the building and operating of new powder plants, which is in the form of a letter from the Secretary to Mr. Jackling which I offer for appropriate marking.

(The document referred to was marked "Exhibit No. 1158" and appears in full in the text.)

Mr. HISS. The letter of appointment reads as follows:

> In appointing you to build and operate the proposed new Government powder plants, I wish to say that you will be given an entirely free hand and full authority in the matter, except where it is necessary for legal reasons that you conform to certain Government methods, such for instance as Government terms of accounting, which must be followed.
>
> I am pleased to acknowledge your acceptance of this work, with the understanding, first, that there will be no compensation or merely a nominal one to you, and with the understanding also that you will be at liberty, when necessity requires, to return to the West occasionally to keep in touch with your regular professional and business pursuits.

Do you know what Mr. Jackling's regular professional and business pursuits had been up to this time, Mr. du Pont?

Mr. PIERRE DU PONT. He was connected with, I think, the Utah Copper Co., but I do not know exactly in what capacity.

Mr. HISS. Had he had any experience in the manufacture of powder or explosives, so far as you know?

Mr. PIERRE DU PONT. Not that I know of; no.

Mr. HISS (continuing):

> I do understand, however, that you will give to the business here under discussion all of the time necessary to supervise effectively its organization and progress and to complete it in the most expeditious and satisfactory way.

That is December 15, and on January 11 you wrote another letter to Secretary Baker, which I will offer for appropriate exhibit marking.

(The letter referred to was marked "Exhibit No. 1159" and is included in the appendix on p. 3287.)

Mr. HISS. Referring in the first sentence to General Crozier's order of October 25, referred to in the Secretary's telegram of October 31, you then state:

> This order calls for transactions estimated at $325,000,000, covering a period of over 2 years and is probably one of the largest orders ever given by the United States Government.
>
> As we understand that the Department is ready to compensate us for actual expenditures to date under this order, a statement of this account will be sent to you in a few days.

Mr. PIERRE DU PONT. Do you mind reading between there? "the cancelation of the order."

Mr. Hiss. Shall I read it, sir, or would you like to read it?

Mr. Pierre du Pont. As you wish. Shall I read it?

> Cancelation of the order calls for a payment of $900,000 per month and proportionately for days elapsing between the date of order and the date of cancelation.

Mr. Hiss. The time elapsing between October 25 and October 31 would be approximately 6 days; is that correct?

Mr. Pierre du Pont:

> Whatever may be due our company under this provision of the order we make no claim for payment, as relief from the burden of the order is worth much to this company, even under its proposed compensation.

Mr. Hiss. The actual time elapsing to which you refer, between the date of the order and the date of the cancelation, would be 6 days, wouldn't it?

Mr. Pierre du Pont. Whatever it is.

Mr. Hiss. Which should be one-fifth of the proposed compensation per month, or $180,000.

Mr. Pierre du Pont. Yes.

Mr. Hiss. Colonel Harris, do you know whether the Chief of Ordnance had authority to enter into contracts without the approval of the Secretary of War at this time?

Lieutenant Colonel Harris. The Chief of Ordnance had authority to enter into contracts, but he operates under the supervision of the Secretary of War, so I cannot answer your question definitely.

Mr. Hiss. Would you understand the order of October 25, 1917, as a binding obligation on the Government of the United States?

Lieutenant Colonel Harris. I would.

Mr. Pierre du Pont. You note that this letter is evidently to make a final disposition of the matter, for it says further:

> Abrogation of the order is not referred to in your letter of December 12, 1917, nor in any other correspondence. We will greatly appreciate formal notice of abrogation, as it would seem fitting to so formally close the transaction.

Mr. Hiss. In other words, at that period you considered that that contract was abrogated and negotiations were definitely concluded and you wished a formal acknowledgment to that effect?

Mr. Pierre du Pont. Yes; and we received that later, I believe.

Mr. Hiss. Under date of January 12 you received a letter from the Secretary of War, Mr. du Pont, which I will ask to have marked with the appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 1160", and is included in the appendix on p. 3287.)

Mr. Hiss. The Secretary of War says in this letter:

> I have just received your letter of the 11th, and have referred it to The Assistant Secretary—

Do you know who The Assistant Secretary was to whom that was referred, Colonel Harris?

Lieutenant Colonel Harris. It should be Mr. Crowell.

Mr. Hiss (continuing):

> as the powder matter is now under his immediate supervision.

Were there other Assistant Secretaries during that time?

Lieutenant Colonel HARRIS. I am not sure whether there was at that time. There were later. I will verify that.[1]

Mr. HISS. This is January 12, 1918.

Lieutenant Colonel HARRIS. Yes.

Mr. HISS (continuing):

> and I want him to prepare the formal letter to which you refer with the papers in the case before him.

The next document I have here I would like to have marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 1161" and is included in the appendix on p. 3288.)

Mr. HISS. On January 16, 1918, 4 days after the Secretary's letter and just a month after the Secretary had appointed Mr. Jackling——

Mr. PIERRE DU PONT. Might I go back there, Mr. Hiss, to that original letter?

Mr. HISS. Which letter is that?

Mr. PIERRE DU PONT. January 11, addressed to the Secretary.

Mr. HISS. Yes.

Mr. PIERRE DU PONT. There are two subjects embodied there, and we have only treated of one, and apparently, to his mind, judging from his opinion, the second subject was possibly the more important. I say in the letter of January 11, "Exhibit No. 1159":

> May I also call attention to the enclosed clipping from today's New York Times. Erroneous conclusions may be drawn from this statement. The profit of from twenty to forty million was not obtainable from the ninety-million-dollar investment in factories but from the construction and operation contract, amounting to three hundred and twenty-five millions, of which the larger sum of $40,000,000 represented 12.3 percent; the smaller, 6.16 percent only. Reference to our offer to limit profits to 10 percent plus a further maximum addition of 5 percent based on equal divisions of reduction of cost of operation and the final order to arbitrate the question of compensation would have more fairly represented the final condition of the negotiations. However, our company is not disposed to enter into any argument or public discussion, and we do not ask correction of the statement above mentioned.

The Secretary deals with that in this way in "Exhibit No. 1160":

> I am writing this only to say that the extract from the New York Times which you enclose, and upon which you comment, is not an adequate representation of my testimony on the subject before the Senate committee. I have not a copy of the testimony, but it will be out shortly, and you will then see that I have dealt with the utmost candor and fairness with the negotiations between your company and the War Department.

That apparently was the Secretary's chief reason for answering. That is why I call attention to it.

Mr. HISS. You remember, you specifically asked for formal notice of cancelation.

Mr. PIERRE DU PONT. Yes.

Mr. HISS. To clean up the matter.

Mr. PIERRE DU PONT. Yes.

Mr. HISS. On January 16 you wrote to Secretary Baker—this is 4 days after his letter announcing he had referred the matter to The Assistant Secretary—asking him to prepare a formal letter definitely concluding the negotiations, and 1 month after Mr. Jackling had been appointed to handle the operation of new Government powder plants, under the Secretary's decision not to continue further negotiations with your company.

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[1] For list of Assistant Secretaries of War in 1918 see Hearings, Part XV, p. 3541.

Your letter to Secretary Baker, of January 16, "Exhibit No. 1161", says:

> Mr. D. C. Jackling has requested me to negotiate with him concerning work to be done in connection with the proposed military powder factories of the United States Government. I hesitate to enter these negotiations without your consent lest such intrusion might be misunderstood or prove objectionable. If E. I. du Pont de Nemours & Co. can be of further service to the United States Government, I should like to be assured of Mr. Jackling's authority and of your consent to negotiations.

You remember the Secretary's letter to you of December 12, "Exhibit No. 1157", said that—

> The War Department proceeded to work out a plan for the direct creation of this capacity by the Government itself. I therefore notified Mr. du Pont and Mr. Buckner on December 10 that the question would not be reopened and that the Government would proceed directly in the matter.

On January 19, 1918, Mr. Baker replied to you that Mr. Jackling had full authority to discuss and negotiate with you in regard to any work in connection with the proposed military powder factories of the Government.

That will be offered as the next exhibit.

(The letter referred to was marked "Exhibit No. 1162", and is included in the appendix on p. 3288.)

Mr. Hiss. I will offer for the record also excerpts from a meeting of the War Industries Board on January 25, 1918.

(The excerpts from meeting referred to were marked "Exhibit No. 1163", and are included in the appendix on p. 3288.)

Mr. Hiss. On January 25, 1918, the War Industries Board discussed a contract with the du Pont Co. for the design, construction, and operation of a plant at Nashville, Tenn., for the production of smokeless powder:

> Mr. Baruch submitted for the information of the Board memorandum of understanding between Mr. Jackling, Mr. MacGowen, Major Mudd on behalf of the Government, and Mr. P. S. du Pont and Col. E. G. Buckner on behalf of the du Pont Co., dated January 24, 1918, regarding the proposed arrangement with the du Pont Co. for the design, construction, and operation of the above plant.

In other words, once the Secretary had determined that the Government should build the plant itself, negotiations for the building of the plant with your aid proceeded much more swiftly than they had before; is that correct, Mr. du Pont?

Mr. Pierre du Pont. No; I think the first negotiations were the quickest of all. We made a proposition overnight which was in the course of 2 or 3 days translated into a definite order.

Mr. Hiss. I mean after the stay order of the Secretary, Mr. Baker, negotiations did not proceed very swiftly until immediately after the Secretary had announced that the Government would proceed itself.

Mr. Pierre du Pont. Not immediately after. That announcement was in December, was it not, and this is January.

Mr. Hiss. The formal notice did not come to you—that is, the formal notice of revocation or the Government's cessation of negotiations, had not come to you but was expected by you 4 days before you wrote that Mr. Jackling had approached you; isn't that correct?

Mr. PIERRE DU PONT. No; I think not. Was not the definite notice in December or the appointment of Mr. Jackling, that the Government was going to do the work itself?

Mr. HISS. Mr. Jackling's name is not mentioned at that time.

Mr. PIERRE DU PONT. No; but Jackling was appointed on December 15.

Mr. HISS. That is correct.

Mr. PIERRE DU PONT. Now, he took charge of the whole thing. That is definite. But I thought before—December 12, yes; the Secretary says to us—

> The War Department proceeded to work out a plan for the direct creation of this capacity by the Government itself.

Mr. HISS. What does "direct creation itself", in your opinion, mean, Mr. du Pont?

Mr. PIERRE DU PONT. I do not know what he meant. I haven't the least idea.

Mr. HISS. Did you think it meant that the War Department would itself take charge of the building and supervise it?

Mr. PIERRE DU PONT. I have not the least idea what he meant, because the War Department could not get to work without making the preparation.

Mr. IRÉNÉE DU PONT. To be perfectly clear, he did not mean that the du Pont Co. was going to do it.

Mr. HISS. He did not mean the du Ponts?

Mr. IRÉNÉE DU PONT. That is what it looks like, certainly.

FORMAL CONTRACT EXECUTED SHORTLY AFTER RESUMPTION OF NEGOTIATIONS

Mr. HISS. On January 29 an agreement was entered into between the du Pont Engineering Co. and the United States, approved by the Secretary of War. This contract is stated to be between the du Pont Engineering Co. and the United States of America, by the Brigadier General of the Quartermaster Corps.

The letter from Mr. Jackling to the Secretary of War enclosing the contract and the contract are offered as exhibits.

(The letter and contract referred to were marked "Exhibits Nos. 1164 and 1165", respectively, and are included in the appendix on pp. 3288 and 3289.)

Mr. HISS. On the second page of this contract, article 1, it reads:

> The construction manager—

By which is meant the du Pont Engineering Co.—

> will engage as the sole agent of the United States of America in the creation, construction, and operation of the plant hereinbefore described, and in consideration of the fee of $500,000 to be paid to it as provided in article 7 hereof in sections (*a*), (*b*), (*c*), and (*d*), agrees to procure from the E. I. du Pont de Nemours & Co.—
>
> 1. The disposal for the purposes of the party of the second part exclusively for the Nashville plant, of the said company's experiences, records, and plans appertaining to the production of smokeless powder of the kinds and quantities herein referred to.

And in carrying out the job of building and operating a plant capable of producing 500,000 pounds of powder per day—this appears at the top of page 3—the description that follows on page 3 as to the type of plant is substantially that described in the October 25, 1917, order; in other words, an up-to-date powder plant.

Mr. HISS. Article IV——

Mr. PIERRE DU PONT. I think we did include a railroad, but it is not very material.

Mr. HISS. Article IV, page 4 [reading, "Exhibit No. 1165"]:

> United States of America shall bear the entire cost of the designing and construction of said plant and will supply all the money necessary therefor in such amounts and in such manner as to allow the activities with respect to the designing and construction of the plant to proceed without delay or interruption. To make the above effective, a disbursing officer or officers shall be appointed by the contracting officer, who shall be provided with the necessary funds to meet all payments as due upon presentation by the construction manager of bills approved by the special director. The responsibility of the disbursing officer shall extend only to the ascertainment that bills, vouchers, or statements submitted for payment have been properly certified and approved by the special director or his duly authorized representative or successors.

Article VII [reading]:

> As full compensation for the services of the construction manager—

that is the du Pont Engineering Co.—

> herein provided to be employed for the designing and erecting of said plant, the United States of America shall, in addition to the costs of the work, labor, and materials herein provided for, make payments to the construction manager as follows:
>
> (*a*) At such time as in the judgment of the special director 25 percent of the work to be done in designing and preparing the plans for "the plant" shall have been completed, the United States of America shall pay to the construction manager the sum of $125,000.

Then, paragraph (*b*) provides for a later sum of $125,000 and (*c*) and (*d*) each $125,000, or a total of $500,000.

Clause (*f*), page 7, reads:

> In addition to the foregoing fees, the construction manager shall be paid as compensation for designing and constructing the plant as herein provided 3 percent on the total cost of the construction of the plant, the same to be paid proportionately and monthly as the work progresses. Such monthly payments shall be based upon estimates made by the construction manager and approved by the special director. The total compensation to be paid under this paragraph marked "*f*" shall be limited to a maximum of $1,500,000.

Article IX reads:

> The United States of America shall hold harmless the construction manager from any and all loss by accident, fire, flood, or otherwise—

And so forth.

Article X reads:

> The United States of America will pay all costs of whatsoever nature incurred in the operation of the plant and will in addition pay to the construction manager for operating said plant the sum of 3½ cents per pound for all smokeless powder delivered and accepted.

There is a further provision, which has been in the earlier drafts, that in the event of the powder costing less than 44½ cents a pound, half of the saving will go to the du Pont Engineering Co.

Clause (*e*), on page 10, reads:

> It is understood and agreed that the construction manager shall operate the plant for the equivalent of 6 months at its full capacity * * *.

Mr. Irénée du Pont. Could I just call your attention, Mr. Secretary, to the prices put in here? You are discussing the cost of raw materials. The current price is listed of nitrate of soda, 4.11 cents, compared to Indian Head price of 2.11 cents; and the price of alcohol is down here at 12.459 cents, practically 12½ cents, compared to 6½ cents in that other estimate of the Navy.

As compared with here the figure is 1.35 against 1.1, I think, in theirs, but that is not very material. We have linters here at 5.25, and I do not know how they would compare with their purified linters which they had in their cost.

Mr. Hiss. You mean, Mr. du Pont, you were not able to get the same prices on articles that the Government was?

Mr. Irénée du Pont. No; I said that the Navy, in making up an estimate of 31 cents for cost of powder, were erroneous because they used prices which were not available on raw materials.

Mr. Hiss. They were supposed to be costs which they were paying.

Mr. Irénée du Pont. No; the costs which they had paid some time before.

Mr. Hiss. Article XX reads:

> The construction manager shall furnish to the United States of America within 10 days after the execution and delivery of this agreement a performance bond in the sum of $250,000, conditioned for the full and faithful performance of this contract.

Does that seem to you an adequate bond for an undertaking which you estimated might come to $300,000,000, Mr. du Pont?

Mr. Pierre du Pont. It is not for me to say. It was evidently sufficient in the eyes of the Government at the time.

(The bond referred to was marked "Exhibit No. 1166", and is included in the appendix on p. 3296.)

Mr. Hiss. The premium of such bond, according to the last sentence, was to be charged to the cost of the work. The bonding company was the Delaware Surety, of which Mr. Laffey, general counsel of the company, was president. Are you familiar with the Delaware Surety Co.? [1]

Mr. Pierre du Pont. No; I remember now the name of it, but I do not know anything about its capitalization or anything else, and I do not remember the conditions under which that was formed.

Senator Vandenberg. Is this the final contract under which the work now proceeds?

Mr. Pierre du Pont. No; it started——

Mr. Hiss. The contract did proceed for several months under this contract. A later contract was entered into, March 29, and we will take that up right now, sir.

Senator Vandenberg. I would like to ask, then, Mr. du Pont, under this contract, were there any capital risks on your part?

Mr. Pierre du Pont. I think the situation was somewhat improved over the original contract, in that the approval of Mr. Jackling on vouchers, and so forth, definitely committed the Government in a way that we did not have before, but I am not certain of the details of that.

Senator Vandenberg. Speaking generally, would it be fair to say that there is no capital risk in this contract on your company?

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[1] Statement of assets and liabilities of the Delaware Surety Co. was entered as "Exhibit No. 1214", see Hearings, Part XV, p. 3578.

Mr. PIERRE DU PONT. I am not sure that there would be. I would have to think over the matter. I have never had the question put to me before, and I have not thought of it in that light.

Mr. HISS. There is a $5,000 investment in the company, which was certainly a risk.

Mr. PIERRE DU PONT. Answering your question the way you want it answered, we did not put any capital in the du Pont Engineering Co. except $5,000, but I am sure that this contract had a guaranty by the du Pont Co., or on the $250,000 bond, and running over hastily I have not found it.

Mr. HISS. I do not find it in this contract, but it may be there.

Mr. PIERRE DU PONT. I would like to point out one essential difference in it:

The original contract in October contemplated that E. I. du Pont de Nemours & Co. would undertake the contract with the right to organize this du Pont Engineering Co. That part of it was not thought out. It was just something in the air. In order to take care of what are ordinarily called overhead expenses, such as purchasing-department expenses and administrative, which were inincluded in the 15 percent commission originally, the du Pont Co. would have had to segregate its expenditures, allotting a certain percentage to this contract and a certain percentage to its own business. There was no way of making a complete segregation on the company's own books. It was a matter to be determined and, of course, indefinite and open to a great deal of discussion.

In this new contract the du Pont Engineering Co. had been definitely thought out, and it was decided that the du Pont Engineering Co. should take the very forces that had been in the du Pont Co. They then became the forces of the du Pont Engineering Co., and their expenses, salaries, traveling expenses, and everything of that kind were definite, because they were in a separate company, and there was no need of a division then between du Pont expenditures and du Pont Engineering expenditures, except to a very limited degree, which was accounted properly by bills between the two companies, approved by Government officials.

Senator VANDENBERG. The thing I am trying to get at is whether the basic fiscal risk is not entirely that of the Government.

Mr. GREGG. That is correct, Senator. Article IV of the contract provides [reading "Exhibit No. 1165"]:

> United States of America shall bear the entire cost of the designing and construction of said plant, and will supply all the money necessary therefor in such amounts and in such manner as to allow the activities with respect to the designing and construction of the plant to proceed without delay or interruption.

Now, of course, as to when the Government was going to supply the money, the contract does not state. All it states is that the Government will supply the money necessary to allow the activities with respect to the design and construction of the plant to proceed without delay or interruption.

That article then further provides [reading]:

> To make the above effective a disbursing officer, or officers, shall be appointed by the contracting officer, who shall be provided with the necessary funds to meet all payments as due upon presentation by the construction manager of bills approved by the special director.

Now, then, if du Pont Engineering Co. made an expenditure and submitted a bill which was disapproved by the special director, then the du Pont Engineering Co. would be out the amount of that bill, or, in other words, would have to proceed with it in some other way. [Continuing reading:]

> The responsibility of the disbursing officer shall extend only to the ascertainment that bills, vouchers, or statements submitted for payment have been properly certified as approved by the special director or his duly authorized representatives or successors.

So that it is the responsibility, under that article, of an expenditure being made by the du Pont Engineering Co. which, when submitted for payment or for the approval by the special director, the special director might disapprove that bill and, if the expenditure had already been made by the du Pont Engineering Co., they would be out that amount of money.

Senator VANDENBERG. Could that decision be wholly arbitrary, or would it have to be justified?

Mr. GREGG. It would be left to the discretion of the special director, and if he said, "I disapprove that bill", then under the contract the only recourse for the du Pont Engineering Co. would be to proceed through the courts to endeavor to recover it.

Senator VANDENBERG. Again using the language which I used this morning, so far as the theory of the arrangement was concerned, the Government was wholly financing it and indemnified you against any capital loss?

Mr. PIERRE DU PONT. That was, I think, the theory, and our intent; but it did not remove the capital risk, which might be very considerable.

Senator VANDENBERG. The capital risk was utterly limited, as compared to the capital risk if you had been operating the whole thing yourself?

Mr. PIERRE DU PONT. There is no doubt of that; yes.

The CHAIRMAN. What was the actual capital risk in it? Let us get that clearly in mind. Was it more than the $5,000?

Mr. PIERRE DU PONT. Yes, indeed. Supposing the du Pont Co., in very good faith, had entered into a considerable subsidiary contract, with the almost certainty they had in their mind that the director would approve the contract, and the du Pont Co. had been committed to it, or the du Pont Engineering Co., and the director had refused to O. K. that contract, whatever responsibility there was on the part of the E. I. du Pont de Nemours & Co., on the bond, and of the du Pont Engineering Co., was in jeopardy.

I am not sure that E. I. du Pont de Nemours & Co. had any responsibility on this or not. I have not had opportunity to look at it now, and I am not sure whether they guaranteed that contract or not. But it would seem to me that the bond of du Pont Engineering Co. must have had some value, and I would want to look into it before I would say there was no responsibility.

Mr. GREGG. Even with reference to your statement, Senator, as to whether the du Pont Engineering Co. assumed any capital risk under this contract, I might say—I must say, to be specific, at this point—that under the contract which subsequently followed and took the place of this contract, and which was broader than this contract, a number of items and expenditures by du Pont Engineering Co. were disallowed; in other words, to the extent of a little over $300,000, and there were several items that had to be threshed over, and some of them went to the Attorney General for opinion and some of them were allowed by the Attorney General, but in the final wind-up—that takes in, however, all the du Pont Engineering Co. contracts, when I speak of the $300,000, because all the contracts were along the same line—there were expenditures by du Pont Engineering Co. amounting to a little over $300,000, which were finally disallowed by the Government.

Senator VANDENBERG. And how much of that $300,000 was at Old Hickory?

Mr. GREGG. The greater part of it, Senator, I would say, was at Old Hickory.

Senator VANDENBERG. Let us go to the final contract.

AMENDED CONTRACT EXECUTED 3 MONTHS LATER

Mr. HISS. The final contract was the March 23, 1918, contract, a copy of which I offer in evidence, was it not, Mr. Pierre du Pont?

Mr. PIERRE DU PONT. March 23; yes, sir.

(The letter of transmittal from the Chief of Procurement Division to the Acting Chief of Ordnance enclosing the final contract was marked "Exhibit No. 1167" and is included in the appendix on p. 3297.)

(The contract referred to was marked "Exhibit No. 1168" and is included in the appendix on p. 3297.)

Mr. HISS. Under that contract you ceased to be an agent——

Senator VANDENBERG. Why was this contract substituted for the other one?

Mr. HISS. Will you explain why this contract was adopted in place of the other one, Mr. du Pont?

Mr. PIERRE DU PONT. I was going to try to find my record on that so I would not have to rely on a poor memory.

Mr. HISS. Perhaps, if we bring out some of the differences, that may show it, Mr. du Pont. The capacity of the plant is increased from 400,000 or 500,000 pounds in January 1918 to 900,000 pounds of smokeless powder a day. That appears at page 2 of the contract.

In addition, the payment of a fee for construction, as such, was eliminated, and a provision was made that a fee of $1 should be paid for construction, all costs to be paid by the United States. The United States agreed to advance $18,974,000 immediately; I beg your pardon, $18,750,000.

Mr. GREGG. $18,750,000.

Mr. HISS (continuing). For construction purposes and to advance $18,954,000 for production. So that there was no question of financial strain in the sense of making the purchases and acquisitions in this contract as opposed to the January contract.

Mr. GREGG. Senator, answering your question as to the reason why this contract took the place of the January contract: I was connected with the matter at that time—Mr. du Pont may have some additional reasons, however—but, as I understood it, at that time the real reason for the March 23 contract taking the place of the January contract was because under the contract of January 29, 1918, Mr. Jackling, as special director, under article III, could do this. Article III of the contract of January 29 provides [reading]:

> The special director may from time to time by written instructions issued to the construction manager order changes in drawings and specifications, issue additional instructions requiring additional work, or direct the work previously ordered, and the provisions of this contract shall apply to all such changes, modifications, and additions, with the same effect as if they were embodied in the original drawings and specifications.

It was my understanding at that time that the work of constructing the plant was being delayed due to the fact that the du Pont Engineering Co. had to submit to Mr. Jackling, whose offices were located over in New York, all drawings and specifications for approval before we could go ahead with the work, and that all pay rolls had to be approved by Mr. Jackling. Various other things had to be approved by Mr. Jackling, and that this necessarily resulted in holding up the work, and that the progress was not being made that the du Pont Co. felt should be made.

As a matter of fact, that matter was taken up with the War Department and, as I recall it, with the Secretary of War, all of which was submitted to him, and the du Pont Engineering Co. submitted a proposal to the Secretary of War in order to expedite the work of construction that if the War Department would give the du Pont Engineering Co. a contract under which it could proceed in its own way in the construction of the plant, without all these delays in getting approval of plans and specifications, that the du Pont Engineering Co. would be willing to construct the plant for cost plus $1.

In constructing the plant for cost plus $1, of course, there would be nothing in the construction of the plant, no profit out of which the du Pont Engineering Co. could reimburse itself for any losses that it might incur, any bills that might be disapproved.

And that it was also requested by the du Pont Engineering Co. that the contract provide for an advance payment to be used as a revolving fund during the construction of the plant.

In other words, that the Government would advance $18,750,000, and the du Pont Engineering Co. would go ahead and purchase the materials and proceed with the work, bills would be rendered to the Government disbursement officers who were located at the plant, and were also located in Wilmington. When those payments would come due, then they would check the receipted materials, check the bills, and, if they found the bills to be proper, they would reimburse the du Pont Engineering Co. for those amounts.

So that this advance payment of $18,750,000 during the progress of the work was used as a revolving fund to carry on the work.

Mr. Hiss. Mr. Pierre du Pont, I show you a recapitulation statement as to the operations of the du Pont Engineering Co., Government contracts, as of September 1, 1925, which I offer for the record.

(The document referred to was marked "Exhibit No. 1169" and is included in the appendix on p. 3310.)

Mr. Hiss. Under the first column you will see that a total of advances for the construction of Old Hickory of $18,875,000 had been made, or were made. This is, of course, after the contract, which has just been put in evidence. Total advances for operation, Old Hickory, $18,954,000.

Over to the extreme right, total on all Government contracts, $45,334,629.87.

Furthermore, the United States reimbursed the du Pont Co. for expenditures in connection with construction, $66,000,000; in connection with operation, $6,466,000—these both refer to Old Hickory—a total on all contracts of $87,738,000.

Senator CLARK. That was the amount which was actually spent at Old Hickory?

Mr. HISS. The total amount actually spent at Old Hickory was $84,973,000 on construction, and on operation $25,420,000.

Mr. GREGG. Where do you get the $87,000,000?

Mr. HISS. That is the total on all contracts, total reimbursed.

Mr. GREGG. Total reimbursed on all contracts.

Mr. HISS. In addition to Old Hickory, this exhibit shows four other contracts—Penniman, Tullytown, Seven Pines, and Ives.

The total amount expended by the United States in the form of advances or reimbursements on all those contracts was $133,073,000.

PROFITS OF DU PONT FOR CONSTRUCTION AND OPERATION OF OLD HICKORY

Mr. HISS. Mr. du Pont, I show you a statement prepared by your company as to the profits made by your company in connection with the construction and operation of Old Hickory, which I ask be appropriately numbered.

(The document referred to was marked "Exhibit No. 1170" and is included in the appendix on p. 3312.)

Mr. HISS. You will note that you list as profits on Old Hickory construction the sum of $1, on Old Hickory operation $1,961,000.

On that basis of $1,961,000, the percent of return on the original $5,000 investment was 39,231 percent.

Mr. NIELSEN. As I say, I think you should take into consideration the $200,000 worth of disallowed expense applying against Old Hickory, for which we were not reimbursed, and that is before taxes also.

Mr. IRÉNÉE DU PONT. Mr. Hiss, you remarked a while ago that the capital risk in this thing was the Government's, and that the $5,000 put up was the nominal capital of ourselves, and had nothing to do with this work.

Mr. HISS. I did not say that. I said it was only $5,000 out of a total of many millions.

Mr. IRÉNÉE DU PONT. You do not undertake to say this has a relation to the $5,000 capital of the du Pont Co.?

Mr. HISS. Were not the profits of Old Hickory stated in the form of dividends to the du Pont Co.?

Mr. IRÉNÉE DU PONT. I presume so, but I do not know. I do not think it changes the question at all.

Mr. HISS. Mr. du Pont, I would like to call your attention to the minutes of the engineering company, showing the amount of dividends declared to the holders of the stock. Practically all the stock, except for qualifying shares, was held by the du Pont parent company. Is that correct?

Mr. IRÉNÉE DU PONT. Yes, sir.

Mr. GREGG. May I make a statement, or do you want to go ahead?

Mr. HISS. May I finish this point?

Mr. GREGG. Go ahead.

Mr. Hiss. On December 31, 1919—when was the Old Hickory construction ceased? Do you remember, Mr. du Pont? When did you cease construction and operation at Old Hickory?

Mr. Pierre du Pont. The construction was not completed at the time of the armistice.

Mr. Hiss. Do you remember when you turned the plant over to the Government?

Mr. Pierre du Pont. I do not remember the exact date. It must have been in the latter part of 1918.

Mr. Hiss. Mr. Gregg, do you know the time when the Old Hickory plant was turned over to the Government after the armistice by the company?

Mr. Gregg. April 17, 1919.

Mr. Hiss. Between April and December of 1919, do you know what business, other than Government business, the du Pont Engineering Co. carried out?

Mr. Gregg. Mr. du Pont can explain that better than I can.

Mr. Nielsen. We had an earlier contract with General Motors to do some construction work in 1919.

Mr. Hiss. On December 31, 1919, according to the directors' minutes of the du Pont Engineering Co., dividends of $80 a share were declared. The original subscription of the stock had been $1 a share.

Mr. Irénée du Pont. Mr. Secretary if we had organized that company with only $1,000 capital, then I suppose we would have made five times as much on the investment. I think we made a bad mistake in overcapitalizing it.

Mr. Pierre du Pont. Mr. Hiss, you surely cannot mean a statement of that kind to go into the record as meaning anything.

Mr. Hiss. Mr. Pierre du Pont, are you familiar with the subcontract of the Mason & Hangar firm?

Mr. Pierre du Pont. Let us finish this subject first.

Mr. Hiss. I am sorry. I thought we had finished.

Mr. Gregg. I have a question I want to ask.

Mr. Hiss. Mr. Gregg.

Mr. Gregg. Mr. Hiss mentioned a total payment under all these du Pont Engineering contracts of $133,073,323.23. Of that amount, $4,128,441.35 was returned to the Government prior to the time of final settlement. In other words, the total cost of the work under all of these five contracts was $129,535,541.06.

Mr. Hiss. Mr. Pierre du Pont.

Mr. Pierre du Pont. I would like to pursue the subject a bit further, because I do not want a ridiculous statement of that kind to go into the record and be spread broadcast all over the United States, because the people of the United States are without the benefit of this discussion.

My brother has just handed me a question, asking what the percentage of return on a physician's services would be for a physician's services. He has no capital invested at all. His services would return an infinitely great percentage on investment, even if he charged only one fee in a year.

Senator Vandenberg. Now you are getting back to the precise thing I was trying to establish a while ago, that this is a service contract and does not involve a financial risk.

Mr. **Irénée du Pont**. It involves a financial risk, but it does not give a capital return on the investment. That is a fiction.

Senator **Vandenberg**. There is no financial risk as compared with——

Mr. **Irénée du Pont**. We have just found there were $300,000 loss on it.

Senator **Vandenberg**. Out of $1,900,000 return?

Mr. **Irénée du Pont**. That is pretty heavy, and we might have gotten hurt worse. This latter contract is much clearer in its statement of what must be paid and what must not be, and which was extra compensation paid the men in the construction, and was not covered in the operation because they did not allow it.

Senator **Vandenberg**. The point is you are now arguing the precise thing I was trying to settle for my own satisfaction originally, namely, that this was not a capital operation, but that it was a service fee essentially.

Mr. **Irénée du Pont**. It was.

Mr. **Pierre du Pont**. A service fee with financial responsibility for the account.

Senator **Vandenberg**. I said limited, Mr. du Pont.

Mr. **Pierre du Pont**. I am not so sure of that, because the same disallowances might have amounted to $100,000 times as much. We did not know. Expenses were so arbitrarily thrown out. They were just thrown out. There was no question about the $300,000 having been expended on the plant as being in that category of expenditure, as we made on our own plant.

Senator **Vandenberg**. If there had been any seriously unfair challenge to your accounts, you could have taken them into court for review, could you not?

Mr. **Gregg**. That is correct.

Mr. **Pierre du Pont**. Yes; but we have not infinite wisdom in such things. There might have been some quirk of a legal phrase that we did not know anything about that might have disbarred us.

Senator **Vandenberg**. I fully understand that, and I fully acknowledge the existence of a collateral liability which, it seems to me, compared with the whole show is exceedingly limited in prospect, leaving us at the point where my mind started this morning, namely, that your entire negotiation is primarily for a service fee rather than for a capital return. Is not that a fair statement?

Mr. **Gregg**. With the possibility that you will get reimbursement for all the expenditures that you have incurred and with the possibility that if you went through the courts, the courts would allow you all the expenditures that you had incurred. You are taking that chance, Senator?

Senator **Vandenberg**. I think that is so.

Mr. **Gregg**. May I make one more remark, please? I would like to clear this up at this point in the record.

In addition to the $4,128,441.35 that we had previously returned to the Government prior to the date of final settlement, which was October 31, 1925, we returned to the Government at the time of final settlement, in addition to this figure of $352,840.35——

Mr. **Hiss**. Mr. Gregg, may I interrupt you at that point? Did not that settlement involve all construction contracts or pending claims on powder contracts of the du Pont American Industries for cotton linters?

Mr. GREGG. No; not this settlement. This settlement had nothing to do with du Pont American Industries.

Mr. HISS. What items were involved in the October 1925 settlement other than the construction accounts?

Mr. GREGG. Just these five contracts here.

Mr. HISS. And nothing else?

Mr. GREGG. Nothing else.

I might say at this point that all these funds of the Government that we had in our hands were kept in a separate bank account, and all interest accruing on those balances was credited to the United States and eventually paid to the United States, not kept with our funds at all. They were kept separate and apart from our funds.

Mr. NIELSEN. May I point out that on that Old Hickory profit, we paid 79 percent tax on it to the Government, which reduced it to a very small amount, three or four hundred thousand dollars.

Mr. PIERRE DU PONT. I was going to give you this illustration: We have quantities of nitrate of soda coming from Chile in different cargoes, a long voyage, open to enemy attack, seizure, accident, or what not. Supposing a number of those cargoes had been unexpectedly lost; they would never arrive at the plant, and we could never prove without delivery that they had been bought for the plant. Supposing the Government had refused to reimburse us for that on the ground it was money not expended for the plant? We would have been out. I do not know how long it would take to collect the account. I do not know whether we could have done so.

Senator CLARK. Could you not have the cargo insured?

Mr. PIERRE DU PONT. The insurance might have failed. We have had a great many insurance failures.

Senator CLARK. It sounds to me like the ox-tail soup; it is going pretty far back for soup.

Mr. PIERRE DU PONT. It is; but there is a connection.

Mr. IRÉNÉE DU PONT. Suppose one of our trusted employees had embezzled a lot of money down there. Would we as the principal not be responsible for it?

Senator CLARK. Do you not have your trusted employees bonded who handle large sums of money?

Mr. IRÉNÉE DU PONT. You can not bond them all when you see how many we are working here.

MASON AND HANGER SUBCONTRACT FEE OF $1,000,000

Mr. HISS. Mr. du Pont, are you familiar with the subcontract entered into by the du Pont Engineering Co. with the firm of Mason & Hanger?

Mr. PIERRE DU PONT. I have not left my subject yet. I want to enter the greatest objection to a statement of that kind going into the record. It is misleading, and I do not say purposely, but it comes pretty close.

Senator VANDENBERG. Which statement do you refer to?

Mr. PIERRE DU PONT. The statement of the percentage of money earned. That ridiculous statement should not go into the record.

Mr. Hiss. In 1924 your company filed a brief before a special board composed of representatives of the War Department and the Department of Justice, relating to the Old Hickory contract. At page 14 of a document attached to that brief as "Exhibit No. 7", the attached document being a brief on the subject of the Mason & Hanger subcontract, the following statement is made:

> Under the contracts of February 6, 1918, and March 23, 1918, with the Mason & Hanger people, the total cost of the construction work performed by that company amounted to $21,511,175 and the company was paid a fee of 5 percent on such cost, amounting to $1,078,558.79, in accordance with the provisions of the contracts.

In other words, your company was paid a fee of $1 for construction and it was reimbursed by the Government a million dollars for a fee which it paid to Mason & Hanger, a subcontractor, who performed $20,000,000 worth of the total construction work of $80,000,000. Is that correct?

Mr. Pierre du Pont. I will ask Mr. Gregg to explain that. He has the information there.

Mr. Gregg. I would like to state that about the time or after the time that the January 29 contract was entered into between the United States and the du Pont Engineering Co., a contract was entered into between du Pont Enginering Co. and the Mason & Hanger Co. to do certain work in connection with the construction of the Old Hickory powder plant. That included the building of the village within the plant site, railroad switching lines for cars within the plant site, and various other work. The du Pont Co. did agree to pay them a fee of 5 percent upon the cost of that work.

At about that time Mr. Jackling, who was then special director under the January 29 contract, entered into a contract with the Nashville, Chattanooga & St. Louis Railway Co. to construct a railroad line from a junction point on the N. C. & St. L. to the plant site. Under that contract Mr. Jackling agreed to pay the N. C. & St. L. cost plus 10 percent for the construction of the railroad line. That was about 7 miles long.

When we made the new contract with the Government on March 23, 1918, the contract that Mr. Jackling had made with the N. C. & St. L. was canceled and terminated.

Under the new contract with the Mason & Hanger Co., they were to do certain work within the plant site and beyond the plant site, which included taking up the work of the construction of this railroad line and completing it, for cost plus 5 percent, not cost plus 10 percent as was provided under Mr. Jackling's contract. So that on the total cost of the work performed by the Mason & Hanger Co. they contended that they were entitled to a fee of 5 percent. It was my view that under their contracts they were entitled to such a fee.

That fee was questioned by the representatives of the Government. They finally went to the War Department. The Assistant Secretary of War rendered an opinion, which, in my judgment, was arbitrary, in which he cut down the fee of the Mason & Hanger Co. to approximately one-half or two-thirds, whatever it was. Following that, the Secretary of War sent the entire matter to the Attorney General for an opinion as to whether or not the Government was obligated under that contract to pay the fee of 5 percent on cost.

Mr. HISS. Mr. Gregg, there is no contention that the Government was not obligated to pay it. I am merely stating the fact that a fee of $1,000,000 was paid to the Mason & Hanger Co. That is correct, is it not?

Mr. GREGG. Whatever it was; yes; 5 percent on cost.

Mr. HISS. Right.

Mr. GREGG. But I think it is entirely proper to bring this out at this point: The Government asked us—

> Why did you pay this fee of 5 percent on cost when there was a War Department regulation limiting the fee to subcontractors to $250,000?

We never knew anything about that regulation. It had never been furnished to us by the Government and we knew nothing about it. The Government representatives had checked and audited Mason & Hanger's disbursements, and had reimbursed for the Mason & Hanger disbursements during the period the work was going on, and they never raised any question about the fee. It was not until after the armistice was signed and the reaudit came along that this question was raised.

I merely say in the end that the 5-percent fee on the cost to the Mason & Hanger work was allowed.

Mr. HISS. The total fees paid to Mason & Hanger and to the du Pont Co. for the construction and operation of Old Hickory totaled $1,900,000 and $1,053,000, being the fee to Mason & Hanger, a total fee paid directly on the construction and operation of Old Hickory of $3,000,000.

Mr. GREGG. No. The only fee the du Pont Engineering Co. got was the $1.

Mr. HISS. I said for construction and operation.

Mr. GREGG. May we confine it to construction for the moment, because the Mason & Hanger Co. fee comes in on construction?

Mr. HISS. Now that we have confined it to that, may we now set up construction and operation? In construction and operation the total fees paid by the United States Government were $1,970,000. Is that the latest figure that you have, $1,976,000?

Mr. GREGG. Yes; but that does not include Mason & Hanger.

Mr. HISS. $1,976,000 were the profits made by the du Pont Engineering Co.?

Mr. GREGG. Yes; that is before taxes were paid.

Mr. HISS. What was the total profit? The statement furnished previously to me shows Old Hickory operation profits of the du Pont Engineering Co—this has already been offered as an exhibit—as $1,961,000. The fee of Mason & Hanger, already referred to, was stated in the brief of the du Pont Co. as $1,053,000. The total comes to three million and a few thousand dollars for fees paid in connection with the construction and operation of the Old Hickory powder plant.

Mr. PIERRE DU PONT. Mr. Chairman, I must object to any such statement going into the record. That is almost a falsification of the record. It is an endeavor to show that fees of $3,000.000 were paid simply because a fee was paid to a subcontractor. You might just as well put in the profits on nitrate of soda and alcohol and everything else that was bought for the plant.

Senator Clark. The Government paid it; it was out of pocket for your fee and also for the subcontractor's fee, was it not?

Mr. Pierre du Pont. It has nothing to do with the du Pont Co.

Senator Clark. The statement was not made it had anything to do with the du Pont Co. The statement was made as to how much the Government was out of pocket in fees in connection with the Old Hickory construction.

Mr. Pierre du Pont. There is an endeavor here to couple up this fee with the du Pont Co.

Mr. Hiss. No, Mr. du Pont.

Mr. Pierre du Pont. Otherwise you would put in the fees and other things? Why did you not put in the profits on the nitrate of soda?

Mr. Hiss. I did not know there was any profit on nitrate of soda.

Mr. Pierre du Pont. You ought to have guessed there was profit there.

Mr. Hiss. To du Pont Co. on nitrate of soda?

Mr. Pierre du Pont. No. There is no profit on the Mason & Hanger matter to the du Pont Co.

Mr. Hiss. I am pointing out that the du Pont Co. has stated in the pamphlet referred to hitherto and at other times that this construction of $85,000,000 was undertaken at a profit of $1.

Mr. Pierre du Pont. It was by the du Pont Co.

Mr. Hiss. $20,000,000 worth of the $80,000,000 construction, or, roughly, one-fourth, was performed by Mason & Hanger and not by the du Pont Co., and the Government paid a fee on that part of the construction of $1,000,000. Therefore, a fee of $1,000,000 was paid by the United States in connection with the construction of the Old Hickory factory.

Mr. Pierre du Pont. That fee was no different from the profit made on anything else that was furnished in the plant. That had nothing to do with the du Pont Co.; simply because it was stated as a fee instead of a profit. It had no relation to profit of du Pont Co.

Mr. Hiss. It was paid, was it not, for construction services?

Mr. Pierre du Pont. Surely.

Mr. Hiss. Your company had a contract to perform construction services?

Mr. Pierre du Pont. Yes.

Mr. Hiss. The total fee the Government had to pay for construction services at Old Hickory was not $1 but $1,000,000. Is that not correct?

Mr. Pierre du Pont. No; it is not. The du Pont Co. was paid a fee of $1. What other people made out of it as subcontractors or in the furnishing of materials has nothing to do with the du Pont Co. any more than it had in the Nitro plant.

Mr. Gregg. I might say that under the contract we had the right to sublet any part of that.

Senator Clark. The question is, as I see it, how much the United States Treasury was out of pocket for construction fees.

Mr. Hiss. That is it.

Mr. Pierre du Pont. In constructing the Nitro plant the same condition existed, but no such statement was made.

Senator Clark. That may be. I do not know anything about the Nitro plant. I was just referring to the statement Mr. Hiss made that the Government of the United States was actually out for construction fees for construction services the sum which he named. He did not assert that the du Pont Co. got that sum; he said that much was out of the United States Treasury, which I understand has not been controverted.

Mr. Pierre du Pont. This is an endeavor to try to make the du Pont Co. statement appear false and erroneous. We had a right to subcontract this thing. It had nothing to do with the du Pont Co.'s business. They could have made a fee contract or a lump sum contract or no contract with Mason & Hanger. It is all within their contract with the Government. We got $1. That was all we got.

Mr. Hiss. Mr. du Pont, Mr. Gregg has stated that the War Department regulations at the time forbade the payment of subcontractors' fees in excess of $250,000. No point was made of that in the statement that I made. That fact seems to me to indicate a policy of the War Department to limit subcontract fees to a certain amount. Colonel Harris has had to leave the room for a minute, and I would like to reserve that question until his return to get his testimony on that subject.

Mr. Pierre du Pont. Mr. Gregg has just pointed out that the Government authorized under Jackling a 10-percent contract with the Tennessee Railroad.

Mr. Hiss. The evidence was put in simply to show that in this particular contract, which has been stated as a one dollar cost of construction contract, $1,000,000 was paid for construction services by the United States Government. That $1,000,000 did not go to your company and no statement has been made that it did.

Mr. Pierre du Pont. Please dissociate that matter from our company.

Mr. Hiss. It went to a company that assumed the responsibility for one-fourth of the construction services performed.

Mr. Pierre du Pont. And the du Pont Co. had nothing to do with it. That is clear.

Mr. Gregg. You are going to take this substitute, are you, Mr. Hiss?

Mr. Hiss. Yes; if you will read those figures in.

Mr. Gregg. I think it is entirely proper at this point to state so far as the du Pont Engineering Co. is concerned, the gross and net profits realized by that company with the Government under those five contracts after paying Federal income taxes. The contracts involved the construction and operation of the Old Hickory powder plant, the construction and operation of the loading plant for shells and casings at Penniman, Va., the operation of a bag-loading plant at Tullytown, Pa., and another one at Seven Pines, Va., both of those plants having been constructed by the Foundation Co., the du Pont Engineering Co. only operating them; and the construction of a TNT plant at Ives, Wis. That contract was entered into just a short time prior to the armistice, so we did not get very far with the construction of that plant.

The net taxable income for the year 1918 as ascertained by the Internal Revenue Department for the du Pont Engineering Co. was $518,164.58, and the net taxable income for the year 1919, as ascertained by the Internal Revenue Department, was $2,031,163.49, or a total net taxable income for those 2 years of $2,549,328.07.

The commercial profits by du Pont Engineering Co. for the year 1919 of $98,142.19 left a total of $2,451,185.88 taxable income on Government work for those 2 years.

The du Pont Engineering Co. paid the Government in income and profits taxes for the year 1918, $417,135.61, and for the year 1919, $1,603,557.47, or a total of $2,020,693.08.

Deducting from the $2,020,693.08 the tax applying to the commercial profits, $44,047.63, left a balance of tax applicable to the Government work of $1,976,645.45.

Deducting that from the total taxable income of $2,451,185.88 of the Government work left a balance of a final net profit to du Pont Engineering Co. of $474,540.43 on an amount of work totaling a little over $129,000,000.

From that $474,540.43, it seems to me that we are entirely justified in deducting the following:

The contract for the construction and operation of the Old Hickory powder plant provided that on construction the du Pont Engineering Co. had the right to pay extra compensation to employees to expedite the work of construction, and such extra compensation was set up and was paid after having been threshed over a number of times with the Government. There was nothing in the contract to provide any extra compensation to employees engaged on operation, so that the E. I. du Pont de Nemours & Co. awarded a common-stock bonus to certain employees who were engaged on operations in these Government plants, and those stock-bonus awards, which were entirely borne by E. I. du Pont de Nemours & Co., and no part of them by the Government, amounted to $193,194.18.

Mr. Hiss. Do you know whether that stock was acquired by the du Pont Co. by purchase, or do you know by what means it was acquired?

Mr. Gregg. I could not say definitely, but I should assume it was, because, as I understand it, practically all that stock used for bonus purposes is bought in the open market.

Mr. Nielsen. It was purchased stock. That was our policy at that time.

Mr. Gregg. That was an out-of-pocket expense of E. I. du Pont de Nemours & Co. Of course, that company owning all the capital stock of the du Pont Engineering Co., whatever profit du Pont Engineering Co. got on this work eventually, of course, would go to E. I. du Pont de Nemours & Co. So deducting that $193,194.18 from the $474,540.43 left a total net profit of $281,346.25.

Mr. Hiss. Mr. Gregg, how many of the employees who received that bonus remained with the company after the Government contracts had been ended and the engineering company started outside construction work?[1]

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[1] Under date of Jan. 10, 1935, the du Pont Co. informed the committee that: "The total number of employees of du Pont Engineering Co. who were paid a bonus on account of their work in the construction of Government plants by du Pont Engineering Co. was 191, and of this number 126 were transferred to E. I. du Pont de Nemours & Co. or one of its subsidiary companies after the Government work was terminated. All of the employees who received a bonus on account of the construction of Government plants, with the exception of 9 employees of du Pont Engineering Co., were in the employ of E. I. du Pont de Nemours & Co. prior to their transfer to du Pont Engineering Co. for Government construction work."

Mr. GREGG. I could not tell you that offhand. I will be glad to get that information for you. I have a list of the employees in that book that I gave you.

AUDITING OF OLD HICKORY CONTRACT

Mr. HISS. Mr. Gregg, you are familiar, are you not, with the investigations which have from time to time been conducted by the Government into the question of the Old Hickory contract? Would you give a résumé as you remember them of some of those investigations?

Mr. GREGG. There are so many of them that I do not know if I can give you all of them. They started, as I recall it, in 1919, and they continued up to the year 1925.

To begin with, in the year 1919 the Government sent out a force of auditors to Wilmington. My information is that at one time they had 103 auditors there. Those auditors were also working on E. I. du Pont de Nemours & Co.'s claims after the armistice, as well as du Pont Engineering Co.

Those auditors remained at Wilmington for a certain period and then they were all moved to Philadelphia. A number of the records were moved to Philadelphia by the Government. Shortly after they were moved up there they had a fire where the records were stored and, as I recall it, none of the records were actually destroyed by fire, but a number of them were water-soaked to such an extent that you could hardly make them out.

Mr. HISS. Will you complete the general summary, please, of the investigations that took place?

Mr. GREGG. I am going to do that.

Mr. HISS. I am sorry; I thought you had finished.

Mr. GREGG. Then, later on, they returned those records to Wilmington and pursued the investigation from Wilmington.

Do you wish me to state the various questions that came up?

Mr. HISS. No, no; just a general outline of the time involved, the investigations carried on, and when the thing was finally settled.

Mr. GREGG. So far as the actual investigation was concerned with the auditors, it began to run out about 1923 and 1924. Then about that time the Attorney General appointed outside counsel to go over this whole matter, and that related only to Old Hickory to a great extent.

Mr. HISS. Who was the counsel appointed, Mr. Gregg?

Mr. GREGG. Those counsel were Mr. Frierson, who was Solicitor General during the Wilson administration, and Mr. Williams, a lawyer in Tennessee. Both of them were appointed on this work to look into certain charges and expenditures in connection with the du Pont Engineering Co.'s contracts.

Mr. HISS. Was that the first connection that the Department of Justice had had with the contract?

Mr. GREGG. No. The Department of Justice had a prior connection with these contracts. As I recall it, various accusations were filed with the Department of Justice as early as 1922 and probably 1921. They were over there until 1923.

In 1923 Colonel Anderson, who was then general counsel—I would not say general counsel, but the attorney representing the Government in the war frauds section of the Department of Justice—told me that there were a number of matters pending in his division relating to the du Pont Engineering Co.

Just about that time a subcommittee was appointed of the Joint Board of Survey of the War Department and the Department of Justice. That subcommittee consisted of Major General Williams, Chief of Ordnance; Mr. Dwight F. Davis, who was then Assistant Secretary of War, and Col. Henry W. Anderson, who was then legal adviser for the war frauds or war transactions section of the Department of Justice.

Colonel Anderson told me that there were certain things that the du Pont Engineering Co. would have to answer. My recollection is that he either called me on the telephone in Wilmington or wrote me a note asking me to stop in and see him the next time I came to Washington, which I did.

He then told me that he was going to give me a number of questions that the du Pont Engineering Co. would have to answer in connection with the du Pont Engineering Co. work. He stated to me, in view of the fact—this board having already been appointed—that as he was going to sit on this board, he did not want to have anything to do with it, that he wanted to keep his mind free, but that he would turn me over to one of his men to give me a list of the things that the Department desired to have the du Pont Engineering Co. answer.

Mr. Hiss. Who was that assistant, Mr. Gregg?

Mr. Gregg. Whereupon he called in Major Carnduff. Major Carnduff did submit——

Mr. Hiss. Major Carnduff is in the room, Mr. Chairman. Would you mind calling him and having him sworn?

Senator Clark. Major Carnduff, will you come forward, please. Do you want him sworn, Mr. Hiss?

Mr. Hiss. Yes.

TESTIMONY OF ARTHUR CARNDUFF [1]

(The witness was duly sworn by Senator Clark.)

Senator Clark. Will you state your full name, please, Major?

Mr. Carnduff. Arthur Carnduff.

Mr. Hiss. Will you state your present position, Major Carnduff?

Mr. Carnduff. Special attorney, Bureau of Internal Revenue.

Mr. Hiss. Will you state your position at the time that you had some connection with the Old Hickory matter?

Mr. Carnduff. Special assistant to the Attorney General, working under Henry W. Anderson, also special assistant.

Mr. Hiss. When did you first become interested in or when were you first assigned to the Old Hickory case, approximately?

Mr. Carnduff. Late in the year 1922, or very early in the year 1923.

Mr. Hiss. What was the nature of your work on that from the standpoint of responsibility and detail?

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[1] In connection with the testimony of Arthur Carnduff, Mr. Gregg, under date of Dec. 28, 1934, notified the committee that some of Mr. Carnduff's statements were incorrect. These statements were in connection with the testimony of Maj. R. R. Farr at a private executive and confidential hearing held in 1923 before a subcommittee on ordnance of the General War Transactions Board. Both Mr. Gregg's letter to the committee and the complete transcript of above hearings are included in the appendix on pp. 3362 and 3364.

Mr. Carnduff. I was responsible for the case, it was assigned to me as an attorney, and I worked under the direction of Colonel Anderson.

Mr. Hiss. Mr. Gregg, can you identify Col. P. J. O'Shaughnessy?

Mr. Gregg. What do you mean, identify him?

Mr. Hiss. Do you know him?

Mr. Gregg. Oh, I know him, yes.

Mr. Hiss. What was his position with the Army and in what branch was he?

Mr. Gregg. Colonel O'Shaughnessy was in the Army during the war, as I understand it. I will not be positive about this, Mr. Hiss; it is just hearsay; but prior to the war, he had been retired, he had been in the Regular Army and retired, and then was called back during the war, and after the armistice he continued in the War Department and in the Ordnance Department.

Mr. Hiss. We might wait until Colonel Harris comes back to identify him.[1]

Mr. Gregg. Now I would like to go a little further with these matters I was discussing, Mr. Hiss.

Mr. Hiss. All right, if you will.

Mr. Gregg. As I stated, Colonel Anderson said he wanted to keep his mind entirely clear. He called in Major Carnduff and asked Major Carnduff to give me a list of the things that they desired to have me answer; and this is the list that Major Carnduff gave me and the only thing that he did give me:

IN THE MATTER OF GENERAL INQUIRY

1. Has du Pont Engineering Co. a complete and accurate system of accounting of—
    (*a*) Construction project.
    (*b*) Operation.

Is such now available for examination by the United States?

2. What are contractor's views on a joint audit of—
    (*a*) Mason & Hanger expenditures.
    (*b*) Operating expenses as determining costs in relation to manufacturing bonus claimed.

3. Has contractor ever rendered a complete statement of account to United States? May we have a copy of its statement?

4. Will contractor furnish a summary of items disallowed by United States, and accepted by du Pont? This should include a summary of disallowances already vouchered upon which there should be a refund or credit due the United States.

5. What amount does contractor at this time admit is due United States?

6. Will contractor furnish a statement of operations with such an analysis by way of schedules to show generally (1) the description of charges entering into operations from which the basis for the bonus for saving was determined, and (2) profits on operations from inception of operating period to the end of operations.

7. Will contractor furnish a statement of costs of construction and equipment with such an analysis by way of schedules to show the costs by respective units of the whole.

IN THE MATTER OF SPECIFIC ITEMS OF INQUIRY

1. Mason & Hanger transaction:

(1) What were du Pont's dealings with Mason & Hanger previous to this contract?

(2) Who negotiated contract between du Pont and Mason & Hanger?

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[1] For Colonel Harris' identification of Colonel O'Shaughnessy see p. 3235.

(3) Have du Ponts any stock in Mason & Hanger?

(4) Who does own majority of Mason & Hanger stock?

(5) Explain circumstances of concern now rated at $400,000 to $500,000 capital, with class B credit rating in a town of 5,662 population receiving a contract totaling $21,511,175.80 on which they were paid a fee of $1,075,558.79 (R. G. Dunn 1923 listing) ($1,075,558.79—$250,000—$825,558.79).

(6) What are the intercorporate relations of du Pont and Mason & Hanger?

(7) Was the du Pont official who negotiated the Mason & Hanger contract aware of the maximum fee of $250,000 in War Department regulations? Is it not a fact that Mason & Hanger had other government contracts with regulation scale of fees?

(8) What check was kept on Mason & Hanger expenditures?

(9) Did they not buy from du Pont subsidiaries? Was this an agreed arrangement?

(10) What was the necessity for agreeing to an unlimited 5 percent fee, obviously excessive when regulations called for a maximum of $250,000?

BONUSES PAID TO EMPLOYES

2. (1) Will contractor furnish a complete statement of all bonuses paid to employes for any cause?

(2) What payments were made to employes of E. I. du Pont de Nemours & Co. over and above " Salaries and traveling expenses "?

SUBSIDIARIES

3. (1) Was it not the rule to purchase materials from du Pont subsidiaries? Was this not profitable to E. I. duPont deNemours & Co.?

(2) Was purchase noncompetitive?

(3) Was there any check on materials or prices by du Pont? Explain system?

COTTON LINTERS

4. (1) Explain excessive prices above maximum contract rates.

(2) Was this cotton bought from du Pont?

(3) Was there ever a readjustment on books of this excessive price and was credit allowed United States?

(4) Why were 47 carloads of cotton of a value of $83,000 shipped from Hopewell, a du Pont plant, to Old Hickory on February 15, 1919?

(5) Explain this transaction.

(6) Excess on cotton shavings of $42,354.98. Was this refunded?

(7) Explain weights from duPont American Industries of 1,000 pounds to 2,468 pounds per bale, on cotton linters, so charged to United States. (See Agent Towles report.)

FREIGHT CHARGES

5. (1) Was a readit or refund of excessive freight ever made?

(2) Why was freight allowed to come in at excess charges?

(3) Was Mason & Hanger paid 5 percent on this freight?

BROADWAY MOTORS

6. (1) Will contractor furnish a report of transaction with Broadway Motors, comparing prices charged United States for Chevrolet cars with current prices?

That was the list of questions that Major Carnduff submitted to me. I don't know whether it was the same day; it may have been the next day; but at that time. That is all he ever did submit to me in connection with the matters then pending before the Department, then or at any other time.

Now, then, this hearing which Colonel Anderson mentioned was held in the Munitions Building on December 5, 1923. I appeared there with several of our representatives.

In the meantime, I had written this reply to the questions, submitting exhibits to practically every question asked.[1] I look up each question and gave the answer. I do not assume that it is worth while or that the committee desires to take up the time of going through all of these answers.

Mr. Hiss. No, Mr. Gregg.

Mr. Gregg. I did not assume so. But what I would like to do, in view of the fact that this is our answer to the questions submitted to us by the Department of Justice, is to have a copy of this go into the record as an exhibit.

Senator Pope. What was that committee? What was the nature of the committee?

Mr. Gregg. It was a subcommittee—that is, this is my understanding of it, Senator—it was a subcommittee of the Joint Board of Survey of the War Department and the Department of Justice. Now, just who appointed them, maybe perhaps Mr. Hiss or Major Carnduff can tell. Major Carnduff, you tell them how that committee was appointed.

Mr. Carnduff. The Department of Justice, War Transactions Section, felt that it should investigate the Old Hickory contract, to ascertain if any moneys were due the United States. It was an accounting investigation that was desired. The War Department felt that the Old Hickory contract had not yet been settled. The War Department seemed to be of the opinion, in the opinion of the Department of Justice, that it was a matter for the War Department to settle, and not a matter for the Deparment of Justice to handle, except insofar as the War Department asked the opinion of the attorney general on certain points.

Thereupon a joint meeting was held to ascertain if the whole matter of the Old Hickory contract should be referred to the attorney general, first, for investigation, and, second, for action, if action was indicated.

Mr. Hiss. Major Carnduff, may I interrupt you just a minute? There are one or two points that occurred earlier than that which I would like to bring out at this time.

Mr. Carnduff. Yes.

Mr. Hiss. First, for the record, I should like to have marked as an exhibit the statement from which Mr. Gregg was reading as to the total of profits. This differs slightly from the statement previously furnished me by the company, which has already been introduced in evidence as "Exhibit No. 1170", and these should be printed together.

(The statement referred to was marked "Exhibit No. 1171" and is included in the appendix on p. 3313.)

Mr. Hiss. Colonel Harris, can you identify Lt. Col. P. J. O'Shaughnessy?

Lieutenant Colonel Harris. He is an officer of the Ordnance Department on the retired list.

Mr. Hiss. Do you know what his functions were in 1917 and 1918?

Lieutenant Colonel Harris. He was on duty at the Frankfort Arsenal during the active portion of the war, and after the war came to Washington and was on duty in the legal and contract section of the office of ordnance.

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[1] Entered as "Exhibit No. 1173", see p. 3236.

Mr. Hiss. Did he have wide experience with the contracts entered into during the World War?

Lieutenant Colonel Harris. Not at the time they were entered into, but subsequently he did.

Mr. Hiss. Did he have any experience or was he in a position to be informed as to the auditing being done in connection with contracts?

Lieutenant Colonel Harris. The portion after the war and the records as to auditing he was familiar with.

Mr. Hiss. I offer as exhibits a letter which Mr. Raushenbush, the committee's secretary, wrote to Colonel O'Shaughnessy on December 10, 1934, and the telegram which Colonel O'Shaughnessy sent in reply.

(The letter and telegram referred to were marked "Exhibit No. 1172", and are included in the appendix on p. 3313.)

Mr. Hiss. Mr. Raushenbush's letter to Lieutenant Colonel O'Shaughnessy, dated December 10, 1934, reads:

> We have been supplied by the War Department with a copy of a memorandum prepared by you on April 4, 1932, concerning certain criticisms of the then form of adjusted compensation contract by the Bridgeport Ordnance District. At page 8 of this memorandum the following statement appears:
>
> "During the World War we had to audit every cost-plus contract. I know of only one which was not audited currently; after the war we spent nearly 7 years auditing and investigating that contract. It cost the Government upward of $1,250,000. Had the auditing been done concurrently, it would have save the Government a very great deal of money."
>
> Will you please inform the committee of the contract to which you referred. We would appreciate an immediate reply by telegram collect.

Under date of December 14—Colonel O'Shaughnessy is in Florida and was not subpenaed—Colonel O'Shaughnessy replied as follows:

> Re letter 10, my reference was to du Pont Engineering Co. contract for construction and operation of the Old Hickory Powder Plant at Nashville, Tenn.

That will be attached to Mr. Raushenbush's letter as a part of this last exhibit.

As I understand it, the exhibits attached to the brief prepared by Mr. Gregg for the joint committee to which he has referred have been marked for identification as "Exhibit No. 1173–A", and will be in the files of the committee for anyone who wishes to consult them, and the brief proper, apart from the exhibits, will be printed as an exhibit.

Senator Clark. That is correct.

(The brief referred to was marked "Exhibit No. 1173" and is included in the appendix on p. 3314.)

Mr. Gregg. Might I go a little further on this case?

Mr. Hiss. I would rather continue this way, if you don't mind, Mr. Gregg.

Mr. Gregg. All right, go ahead.

Mr. Hiss. Colonel Harris, do you know anything to the contrary of the statement made by Colonel O'Shaughnessy, namely, that the Old Hickory contract was not audited currently at the time of the expenditures?

Lieutenant Colonel Harris. I have no knowledge in that regard at all.

Mr. HISS. You have no knowledge that he is incorrect?

Lieutenant Colonel HARRIS. I have no knowledge that he is incorrect, and he should be in a position to know, because he was in official charge of the ordnance office and should know.

Mr. HISS. Major Carnduff, in your experiences and in your work on the Old Hickory contract, did you have any occasion to learn whether or not the War Department did audit the Old Hickory contract currently?

Mr. CARNDUFF. To the best of my knowledge, information and belief, there was not a complete audit of the contract made currently with construction and operation. There was some check on materials received and there was some check on bills and vouchers rendered by the War Department. There was not what was in the opinion of the auditors and attorneys of the Department of Justice a complete auditing by the War Department.

Senator POPE. Do you know why that was, that it was not audited currently?

Mr. CARNDUFF. I do not, sir, because I was assigned to this matter in 1923 and the construction was in 1918. I was in France then.

Mr. HISS. I will ask that this report be marked as the next exhibit.

(The report referred to was marked "Exhibit No. 1174" and is included in the appendix on p. 3327.)

Mr. HISS. Major Carnduff, I show you excerpts from a report on file in the Department of Justice, prepared by Mr. Cameron. Can you identify Mr. Cameron?

Mr. CARNDUFF. Mr. Cameron was directing the accounting investigation for the Department of Justice. He is a prominent accountant of New York City and during this work he was paid an annual salary of $18,000 by the Government.

Mr. HISS. The report from which these excerpts are made is a report on the du Pont Engineering case, made for the Attorney General by the War Transactions Section of the Department of Justice.

The first page, being page 6 of that report, lists certain of the contracts in addition to Old Hickory and describes them.

Penniman: Under contract G1320–732A, dated December 31, 1917, the company were to be paid, in addition to the cost of construction and operation of the plant, 10 percent of the cost of construction and 10 percent of the cost of loading different sizes of shells to a maximum of 1,482,500 shells. In excess of such quantity there was to be paid 10 percent of established base cost plus 50 percent of any saving below the base cost. The new contract under date of April 12, 1918, provided a compensation $1 nominal profit on construction plus 14 percent of the cost of operation.

That is an increase over the original 10 percent.

Any profit accruing under the contract of December 31, 1917, was voluntarily waived and applied as an advance against the new contract.

Tullytown: This contract, P3509–643 E, dated March 2, 1918, provided for reimbursement of all costs of operation plus 14 percent as compensation.

Seven Pines: This contract, P9050–960E, dated June 1, 1918, covered reimbursement of all costs of operation plus 14 percent as compensation.

Ives: This contract, P15271–1433E, dated October 2, 1918, provided that the United States would bear all costs of construction and in addition pay a specified price per pound, subject to adjustment, of all TNT manufactured. A nominal profit of $1 was to be paid for the construction of the plant. Prior to the armistice construction of foundations for the buildings had only begun.

Previous examinations: Various charges were made from time to time that there were serious irregularities, great waste and extravagance in expenditure of Government funds. Mr. G. H. Dorr, assistant director of munitions——

Colonel Harris, do you know who G. H. Dorr was?

Lieutenant Colonel **Harris**. He was an officer in the War Department during the war.[1]

Mr. **Hiss**. Do you know what his first name was?

Lieutenant Colonel **Harris**. I do not.

Mr. **Hiss**. Could you ascertain? [Continuing:]

> —assistant director of munitions, in October 1919, issued instructions to the Ordnance district chief at Philadelphia, Pa., to continue such auditing and accounting as may be necessary in the interests of the Government. The Ordnance district chief in turn authorized the cost-accounting branch to proceed within the`audit. A great deal of auditing up to this time had already been performed, but obviously a reaudit was begun. This reaudit was in charge of various individuals and was not completed until June 1922, and the result thereof summarized as of May 31, 1922, by an auditor of the War Department.

Major Carnduff, I show you a recapitulation, copies of which were furnished by the Department of Justice, which I will offer as the next exhibit.

(The recapitulation referred to was marked "Exhibit No. 1175" and is included in the appendix on p. 3335.)

Mr. **Hiss**. The lower left-hand corner of this bears the date June 23, 1922. The top heading is:

> Du Pont Engineering Co., recapitulation of all contracts, May 31, 1922.

Do you know whether this is the summary referred to in Mr. Cameron's report?

Mr. **Carnduff**. This is the summary referred to in Mr. Cameron's report. This was in the possession of the Department of Justice prior to the inquiry made of Mr. Gregg.

Mr. **Hiss**. Continuing with this report:

> It is quite apparent that during the course of the reaudit, considerable trouble arose due to a lack of adequate legal interpretation of certain provisions in the contracts. Maj. R. R. Farr was appointed a special representative of the Assistant Secretary of War on July 16, 1921, to bring the reaudit of all du Pont Engineering Co. claims to a satisfactory conclusion. Major Farr (at present a special assistant to the attorney general in the War Transactions Section) proceeded to issue legal opinions of matters submitted to him for a guidance of the various Government auditors engaged upon the work?

While you were investigating this case, Major Carnduff, did you inquire of the War Department for any material that might show any auditing made by the War Department?

Mr. **Carnduff**. I notified the War Department in May 1923, that I had this reaudit.

Mr. **Hiss**. You mean this recapitulation?

Mr. **Carnduff**. Or this recapitulation to which you have referred and asked them for supporting data upon which this recapitulation was made.

Mr. **Hiss**. Is this the letter which you wrote to the War Department?

Mr. **Carnduff**. Yes.

Mr. **Hiss**. I offer it for appropriate marking as an exhibit.

(The letter referred to was marked "Exhibit No. 1176" and is included in the appendix on p. 3336.)

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[1] Under date of April 4, 1935, Colonel Harris informed the committee that Mr. Dorr's first name was Goldthwaite and that he was assistant director of munitions.

Mr. HISS. I call your attention to this letter, dated May 24, 1923, signed Arthur Carnduff, special assistant to the Attorney General, addressed to Maj. John G. Booton, Ordnance Department, United States Army, and I call your attention particularly to the last sentence of the first paragraph:

> The supporting details upon which this is based would be very valuable at this time, and therefore requested, referring to the document entitled, "Recapitulation of all contracts, May 31, 1922."

Were you referring to the recapitulation which has been introduced in evidence, Major?

Mr. CARNDUFF. I was referring to that recapitulation, and I wrote this letter and sent it to Major Booton, who was at that time assigned to the furnishing of any details required by the Department of Justice on all War Department contracts.

Mr. HISS. I also call your attention to the last paragraph on the first page [reading]:

> If the recapitulation of May 31, 1932, referred to above is the final statement of the War Department, would you kindly advise as to where and how it was prepared, and as to where the supporting documents and proof as to same may be obtained?

Mr. CARNDUFF. Also as to where the files are, which is very important.

Mr. HISS. I would like to have this reply of Major Booton's marked with the appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 1177", and is included in the appendix on p. 3336.)

Mr. HISS. Major Carnduff, I show you a letter of June 15, 1923, signed John G. Booton, addressed to you, and ask you if that is the reply which Major Booton made to you?

Mr. CARNDUFF. Three weeks after I wrote that letter I received a reply from Major Booton, in which he made certain statements, and to which he appended two documents. One of them was the recapitulation already in evidence, which I had, and the other was a report or comments upon this recapitulation made by one W. G. Kileen. The recapitulation I already had, and the comments by Mr. Kileen, in the opinion of myself and Colonel Anderson, were not of any great value to us.

Mr. HISS. Did the documents which were enclosed in Major Booton's letter to you constitute in any sense an audit of the Old Hickory construction or operation?

Mr. CARNDUFF. Neither of the documents were an audit, nor did they contain details of the supporting papers. They contained summaries, totals, and comments upon some of the summaries. The purpose of our inquiry was to ascertain for what the $80,000,000 had been paid in the construction of the Old Hickory plant. We were interested primarily in finding out if there had been any overpayments, if there were any moneys due the United States, and how this payment had been checked by the War Department. We were not criticizing. We were endeavoring to find out.

The reply of Major Booton added nothing to what we already knew.

Mr. HISS. Is Mr. Moore, of the Department of Justice, here?

TESTIMONY OF R. M. MOORE

(The witness was duly sworn by the chairman.)

Mr. Hiss. Mr. Moore, will you state your name and position for the record?

Mr. Moore. R. M. Moore, chief, division of records, Department of Justice.

Mr. Hiss. Mr. Moore, do you have charge of supervision of the files of the War Transactions Section, which are still retained by the Department of Justice?

Mr. Moore. I do.

Mr. Hiss. I show you a copy of a letter dated June 15, 1923, from Major Booton to Major Carnduff, which has already been introduced in evidence as "Exhibit No. 1177." This copy was furnished us by the War Department. Can you identify that as a letter, the original of which is now in the files of the Department of Justice [handing paper to witness]?

Mr. Moore. It is.

Mr. Hiss. Have you examined the files containing that letter?

Mr. Moore. Just this letter alone, not the files.

Mr. Hiss. I mean, have you found that letter in your files?

Mr. Moore. Yes, sir.

Mr. Hiss. What enclosures, if any, are attached to the letter in the files of the Department of Justice?

Mr. Moore. There are no enclosures.

Mr. Hiss. That is all, Mr. Moore. Thank you.

(Witness excused.)

Mr. Hiss. Major Carnduff, you are familiar with the hearings which Mr. Gregg has described?

Mr. Carnduff. I think I conducted them on the part of the Government. I am familiar with them.

Mr. Hiss. I show you an excerpt from the stenographic transcript, being pages 284 and 285, which I will ask to have appropriately numbered.

(The excerpt referred to was marked "Exhibit No. 1178" and is included in the appendix on p. 3337.)

Mr. Hiss. I ask you if that refreshes your recollection as to the competence of Mr. Kileen as an auditor or accountant. I call your attention particularly to a question which you asked Mr. Kileen. Was Mr. Kileen under oath at this time, Major Carnduff?

Mr. Carnduff. He was not. This was a joint hearing of the War Department and the Department of Justice and the testimony was given without oath.

Mr. Hiss. Was this a public hearing?

Mr. Carnduff. It was a private executive hearing and the hearing was confidential.

Mr. Hiss. Have the records ever been published of that hearing?

Mr. Carnduff. Unless they were published before some senatorial or congressional committee, they have not.

Mr. Hiss. Your question, at the top of this page, of Mr. Kileen, was as follows:

> Mr. Kileen, we have asked each of the accountants giving opinions here to give a brief résumé of their experience as accountants, and I would like to ask you the same question: Namely, are you a certified public accountant?

To which Mr. Kileen replied—

> No, sir.

Your next question was—

> Have you been a senior accountant?

Mr. Kileen replied:

> I was given that grade by civil service, that is all. Never served in public accounting.

You asked him:

> Oh, you never served in public accounting?

He replied—

> No, sir.

You then asked him to give briefly his experience in accounting before entering the Government service. He stated that he—

> attended the Utica Business College, and left there to accept a position in a wholesale jobbing and hardware concern, a clerical position.

He said he—

> was there about two years and a half.

His—

> next position was with the General Electric Co.—

where he

> held the positions of claim chaser, claim clerk, assistant to the head of the distribution department, and was later given charge of the distribution department, making a service of 7 or 8 years with the General Electric Co. I then made application to the civil service, and was assigned to the Ordnance Department in March 1918.

You then asked him what his rating was, and he replied:

> Senior accountant. In the civil service.

You asked him if he ever examined "the books of the du Pont Engineering Co." and he replied that he had examined the general books.

He answered:

> I have worked on the cash books to determine the cash transactions, the accounts payable registers, and the cost records and journal entries.

He said he did this while in the employ of the United States Government.

You asked him "for what purpose" this was done, and he said:

> The purpose of this audit, under Major Farr.

You then asked him:

> But you never made any general examination of the operating books of the du Pont Engineering Co.?"

And he replied:

> No, sir; only for the purpose of this audit, under Major Farr.

Mr. CARNDUFF. There is a final sentence there, which is also important.

Mr. Hiss. Your statement at the end, after the witness had been excused, was—

> I might say, Colonel, that I have not sent for Mr. Kileen, as I did not consider his evidence would much more than corroborate all of what Major Farr would tell us, and of course I didn't even know how he got here.

After refreshing your recollection with this excerpt from the hearing, Mr. Carnduff, what is your present memory of your opinion of Mr. Kileen's accounting ability?

Mr. Carnduff. Mr. Kileen worked in a clerical capacity under Major Farr, and Major Farr at that time was an attorney in the Department of Justice. He was in charge of Mr. Kileen and naturally could tell us anything that Mr. Kileen could have told us. We felt that Mr. Kileen was not competent to make an audit of an $83,000,000 transaction.

I might add that I felt that Mr. Kileen had never made such an audit.

Mr. Hiss. Will you describe the kind of audit that was made by Major Farr?

Mr. Carnduff. I can only describe that from Major Farr's testimony before this Board, and I have every confidence that his testimony was accurate. He stated that a spot check was made of expenditures, and he stated that approximately 1 in 10 vouchers were checked on this review and reaudit.

Mr. Hiss. Was that checking a matter of an official order?

Mr. Carnduff. He stated at this investigation that this spot check was made upon the order of C. C. Williams, who was then Chief of Ordnance.

Mr. Hiss. I call your attention to a further excerpt from this hearing. This is at page 52. I will ask that that be appropriately numbered.

(The excerpt referred to was marked "Exhibit No. 1179" and appears in full in the text.)

Mr. Hiss. Mr. Cameron asked Mr. Guise a question. Can you identify Mr. Guise?

Mr. Carnduff. I believe that Guise at one time was a reserve major. At any rate, he was engaged in auditing work on the Old Hickory contract, but discontinued that work before it was completed.

Mr. Irénée du Pont. Which audit was that?

Mr. Carnduff. To the best of my recollection, that was one of the original audits.

Mr. Irénée du Pont. On the plant, prior to when construction was going?

Mr. Carnduff. Yes, sir.

Mr. Irénée du Pont. And did the vouchers on that construction work all bear the signature of an Army officer approving them?

Mr. Carnduff. I do not know, because I did not see any of those vouchers.

Mr. Irénée du Pont. You did not see any of those vouchers?

Mr. Carnduff. That is, I never got that far with this case.

Mr. Hiss. Mr. Cameron, whom you have already identified, asked Mr. Guise the following question ("Exhibit No. 1179"):

> Were you called upon to audit the cost of operation?
>
> Mr. GUISE. That was not started at the time I left. We were beginning to audit quantities.

Does that mean left Old Hickory?

Mr. CARNDUFF. I do not know.

Mr. HISS. He was stationed at Old Hickory at one time, was he not?

Mr. CARNDUFF. He said he was. I do not know of my own knowledge.

Mr. HISS (reading):

> That was not started at the time I left. We were beginning to audit quantities.
>
> Mr. CAMERON. But did you not make the statement that it could not be done now?
>
> Mr. GUISE. I do not think that a real audit, on account of the lack of records, could be made now—definitely and legally audited; I will put it that way.

Did you ever visit the Old Hickory site yourself, Major Carnduff?

Mr. CARNDUFF. I did during the course of this investigation, yes, visit Old Hickory in company with Mr. McLane, the district attorney; Mr. Cunningham, assistant to the head of investigation, Department of Justice; and Mr. Cameron, in charge of audits.

Mr. HISS. Did you find any records of the transactions at the plant location?

Mr. CARNDUFF. There were no records that could be utilized at Old Hickory at that time. I might say that was about the middle of 1923. We found some records that were valueless, and we found that there were records at Wilmington, Del.

Mr. HISS. Can you identify Mr. G. E. Youmans? [Handing paper to witness.]

Mr. CARNDUFF. Mr. Youmans was a man who had been employed in auditing work or investigating work in conection with the du Pont contracts. I believe he was an auditor working under the direction of Major Farr, somewhat similar to Mr. Kileen.

Mr. HISS. I will offer that document for the record.

(The document referred to was marked "Exhibit No. 1180" and is included in the appendix on p. 3338.)

Mr. HISS. Mr. Kileen's audit, to the extent that it was an audit, was as a clerk, you said, under Major Farr?

Mr. CARNDUFF. Right.

Mr. HISS. And Mr. Youmans was also under Major Farr?

Mr. CARNDUFF. Yes, sir.

Mr. HISS. I call your attention to a further excerpt from the hearings, referring merely to pages 87 and 88. You asked Mr. Youmans to state his position, and he replied:

> Supervisor of collector's office.

Of Internal Revenue, I assume.

You then asked him to state his former connections having to do with the du Pont Engineering transaction. He replied:

> My first connection with the du Pont Engineering Co. contracts was in December 1919.

Colonel Anderson then said:

> You refer now to the Old Hickory, do you?

Mr. Youmans replied that he was never there except once, he believed, "but not during the active operation of the contract." He then stated as follows:

> Then as accountant in charge under Mr. Cobb, supervisor of the cost accounting branch of the Philadelphia district. Subsequently I became supervisor of the Philadelphia district, the cost accounting branch, and continued the supervision of the audit of these contracts. And I continued in that capacity until about September 1921, at which time Major Farr, a special representative of the Secretary of War, took entire charge of the audit of the du Pont Engineering Co. contracts, and then I continued to operate under his direction until some time in November 1921, at which time I resigned.

Was Mr. Youmans under oath at this time, Mr. Carnduff?

Mr. Carnduff. He was not, to my knowledge.

Mr. Hiss. None of these statements were made under oath at this hearing?

Mr. Carnduff. I think not.

Mr. Hiss. It was an informal hearing before the war transactions section? Is that correct?

Mr. Carnduff. It was a hearing to determine whether the Department of Justice should investigate and close this Old Hickory contract, or whether the War Department should continue its negotiations toward a settlement.

Mr. Hiss. You asked Mr. Youmans to state the circumstances of his resignation, and he replied:

> I resigned so that I could, in my private capacity, make a report to the Comptroller General, placing before him in this report certain matters that I thought he might not learn of through the settlement or award that was being prepared on these contracts.

You asked him:

> Just tell the Board what the basis of your report was, briefly, and the reasons for it.

He replied:

> Why, I prepared a statement which included items that he had previously disapproved.

General Williams asked him:

> Who had previously disapproved?

He replied:

> The Comptroller General.

He went on to state:

> Showing the disposition that had been made of them by the present control over the audit of these contracts. It was impossible to get an advance ruling on the items and principles involved in this audit without presenting a bona fide voucher. So in the course of time vouchers were prepared, and attached to them were the contractor's receipted vouchers supporting them. These vouchers embodied practically all of the principal disputed items, and his decision regarding the propriety of payment resulted in practically an interpretation of the contract, and in a great measure supported the interpretations that had already been given by the cost accounting branch.

Did you understand that testimony to mean that vouchers were prepared not only after the transactions had taken place but after the transactions had been questioned?

Mr. Carnduff. Vouchers had been prepared, but that did not mean that they had been paid. They were referred to some higher authority, to see whether the amount vouchered should be allowed as a disbursement by the du Pont Co. However, Major Booton's letter to me admitted that several vouchered items had been paid.

Mr. Hiss. I call your attention to a further place in Mr. Youman's testimony, the second page of this excerpt, being pages 106 and 107.

(The document referred to was marked "Exhibit No. 1181" and is included in the appendix on p. 3338.)

Mr. Hiss. I refer to the next to the last answer; no, I will read all of it [reading]:

> Mr. Anderson. What was the general character of your report to the Comptroller General? Merely a protest against payment?

Mr. Youmans replied:

> It was not a protest even. I criticized no one at all. Merely presented some facts that I wanted to get to him so that he would be warned and know what that lump sum might contain.

Colonel Anderson asked:

> And it dealt chiefly with the items that you reviewed?

Mr. Youmans replied:

> Yes; and I showed the action taken by Major Farr on those same items.

Colonel Anderson asked:

> Well, what was that action?

Mr. Youmans replied:

> Approved all the items that the Comptroller General had suspended.

At a further place in Mr. Youmans' testimony, pages 110 and 111, he stated:

> Operating costs had not been gone into on any of those contracts. We were still waiting for a decision as to the necessity of furnishing proof of delivery of material. That was still an open question. Operating costs were not to be gone into until after that was determined.

I offer that for appropriate number.

(The excerpt referred to was marked "Exhibit No. 1182" and is included in the appendix on p. 3339.)

Mr. Hiss. Again at page 114 Mr. Youmans testified:

> We questioned every voucher, but not prices.

He was asked by Colonel Hull:

> You didn't go into the prices of any of these?

And he replied:

> On anything.

Colonel Anderson asked:

> Why did you leave the prices entirely alone?

Mr. Youmans replied:

> Why, we were so advised by—I think it was the District Claims Board at the time.

Colonel Anderson asked:

> In other words, you didn't undertake to verify the fact that the amount charged the Government was the price paid by the du Pont Co. for the stuff at all?

Mr. Youmans replied:

> No.

I offer that for appropriate number.

(The excerpt referred to was marked "Exhibit No. 1183" and is included in the appendix on p. 3339.)

Mr. Hiss. Can you identify J. R. Peebles, Major Carnduff [handing paper to witness]?

Mr. Carnduff. Peebles was either an accountant or investigator who was employed at some time or other on those Old Hickory contracts.

Mr. Hiss. At page 132 Mr. Peebles testified that you were correct in stating that he had formerly been contracting officer of the du Pont Engineering Co. contracts, and succeeded Major Guise as contracting officer.

You then placed in evidence a letter dated December 13, 1921, headed "Subject: Elimination of detailed summaries."

> As a result of conferences held in Washington, December 10, 1921, you are hereby directed to discontinue preparation of detailed summaries.
>
> It has been decided the only information necessary is the voucher number and amount which will permit tieing up the charges with the contract and the contractor's books.

That was signed by R. R. Farr, special representative of the Assistant Secretary of War.

I offer that for appropriate number.

(The excerpt referred to was marked "Exhibit No. 1184" and is included in the appendix on p. 3340.)

Mr. Hiss. At page 155 Mr. Peebles testified that he had "had charge of a number of large operations for the Government" in the form of audits.

You then asked him if the Old Hickory transaction was handled in the same way as the others. "Was it handled the same way as you handled other transactions?"

And he replied—

> No, sir; because we completed the audit as prescribed by the Comptroller.

I offer that for appropriate number.

(The excerpt referred to was marked "Exhibit No. 1185" and is included in the appendix on p. 3340.)

Mr. Hiss. Did you understand that to mean that in other cases he had completed an audit prescribed by the Comptroller, but had not in this case?

Mr. Carnduff. I understood that to mean that in other cases he had completed his audit in the method prescribed by the Comptroller, but in the Old Hickory case he had done it the way Major Farr had told him to do it, in that manner, which was not the same way.

Mr. Hiss. I call your attention to an office order, No. 1, dated May 9, 1918, which appears at page 187 and following pages of the hearings referred to, which I offer for appropriate number.

(The document referred to was marked "Exhibit No. 1186" and is included in the appendix on p. 3340.)

Mr. Hiss. This is headed [reading]:

Routing to be followed by United States Army Ordnance Inspection Force, Old Hickory powder plant, Nashville, Tenn., governing construction under contract No. War. Order P–4755–711–E—

which is the number of the Old Hickory contract.

At page 2 of this excerpt, item (C)1, it reads:

At least 10 percent of the documents received in this office without supporting papers will be held out and will be forwarded to the contractor with request for supporting papers.

Do you know whether that procedure of holding out at least 10 percent was limited to holding out only 10 percent?

Mr. Carnduff. I do not know anything about that. I had nothing to do with War Department orders, so that I cannot give any opinion on that.

Mr. Hiss. I show you a copy of a report dated September 12, 1918, from Robert L. Oden, Chief Clerk, Ordnance Department, to Capt. George R. Foulke, Jr., which I offer for appropriate number.

(The document referred to was marked "Exhibit No. 1187" and is included in the appendix on p. 3343.)

Mr. Hiss. That states [reading]:

Subject: Development of Construction Inspection, per office order No. 1 at Old Hickory powder plant.

1. Reference: Paragraph III, C–4, subparagraphs (*a*) to (*g*) inclusive, of office order no. 1.

The monthly report referred to in the reference is made up and on hand at this office for reference on demand, for each month commencing June 1, to date. The net result of reports for June, July, and August is summarized below in accordance with the reference, except for the omission of subparagraph (*a*) in the reference, which reads "The total number of documents received for each class of material during the month for inspection."

(*b*) Grand total of documents received to September 1	54, 965
(*c*) Total number of documents checked for supporting papers by this office to September 1	5, 371
(*d*) Total number of documents found to be correct upon check for supporting papers to September 1	5, 371

In the case of (*c*) it was approximately 10 percent of the total number received, and in the case of (*d*) it was 100 percent of the items checked.

Paragraph II. Underneath that is:

(*a*) Total number of "check comparisons" made to September 1	4, 765
(*b*) Total number of "check comparisons" found to be correct	3, 561
(*c*) Total number of "check comparisons" found to be incorrect	1, 204

Under (*e*) [reading]:

Percentage of "check comparisons" found to be incorrect, based on total number of "check comparisons" made to September 1, 25.2 percent.

Under paragraph III it states [reading]:

A study of the figures given herewith, together with a complete understanding of the situation reveals a discrepancy. First of all, it will be noted that all vouchers when submitted to this office for final inspection and passing, apparently have complete supporting papers. Secondly, it will be noted that in 25.2 percent of all the cases which have been checked by this office and which constitute 8.6 percent of the total documents received, supporting papers could not be furnished at the point and by the office where these supporting papers are supposed to originate in every case. In other words, apparently whenever a field checker's report was not available to cover a given voucher, and payment was desired on the same, a field checker's report was made up from the face of the voucher, attached thereto, certified, and forwarded to the Army inspector of ordnance for signature as a proper supporting document.

I offer for the record a statement furnished by the War Department as to Mr. Foulke's personal history before he entered the War Department.

(The document referred to was marked "Exhibit No. 1188" and is included in the appendix on p. 3344.)

Mr. Hiss. That shows that he was employed by the du Pont Powder Co. in various services from 1911 until February, 1916; that he then went to the Aetna Explosives Co. until January, 1917, and then was with the Ball Grain Explosives Co. until he entered the Army.

Do you know what the Ball Grain Explosives Co. is, Mr. Gregg? Have you ever heard of the Ball Grain Explosives Co., Wilmington, Del.?

Mr. Gregg. I have not.

Mr. Irénée du Pont. What is the name?

Mr. Gregg. Ball Grain Explosives Co.

Mr. Hiss. Lieutenant Foulke, Jr.

Mr. Irénée du Pont. I gather from the name of the man and the fact that the explosives company is at Wilmington, that must be a black powder proposition started by E. Paul du Pont, who married a Miss Foulke, and that is what it was, I think, and what it refers to.

Mr. Hiss. The order of May 9 directing a check of 10 percent of the documents received was signed by Lieutenant Foulke, as Army Inspector of Ordnance. Was he in charge of auditing at one time?

Mr. Carnduff. I think that my investigation developed that Captain Foulke was in charge of checking at the Old Hickory plant. He was in charge of some bookkeeping device at the plant for the Army, as a reserve officer.

Mr. Hiss. I show you a letter dated June 7, 1918, from Lieutenant Foulke to Lt. Col. F. H. Miles, Jr., which I offer for the record.

(The letter referred to was marked "Exhibit No. 1188–A" and is included in the appendix on p. 3345.)

Mr. Hiss. Paragraph 7, the last page, states:

> It is realized most keenly that the inspection outlined in office order no. 1 is not a 100 percent inspection. It is felt, however, that if properly carried out, it is reasonably certain to develop any troubles which may exist and provide a remedy for them and that no more certain system of inspection can be devised to meet the conditions short of an absolute 100-percent inspection. This last is practically out of the question. The du Pont Engineering Co. and the subcontractors are conducting a 100-percent inspection. In doing this the du Pont Engineering Co. is employing 100 checkers and the subcontractor's force is approximately 100 checkers covering incoming material alone, while an office force of several hundred people is maintained to do the necessary paper work. In addition to these men, there is a small army engaged in checking the distribution of material, auditing vouchers, etc. Inasmuch as the du Pont Engineering Co.'s files are open at all times to the Government and will eventually be turned over to the Government, it is felt that to institute a check on them which would cover the work as they are doing would involve a waste of men and money and a loss of time which would not be justified.

This is dated while construction and operation were still going on, June 7, 1918?

Mr. Carnduff. That is right.

Mr. Hiss. I now refer to page 170 of the hearings, which I will offer for appropriate number.

(The excerpt referred to was marked "Exhibit No. 1189" and is included in the appendix on p. 3346.)

Mr. Hiss. There appears a statement by General Williams. General Williams was on the Board hearing the testimony brought forth by you?

Mr. Carnduff. He was sitting as a member of this Board, which was to determine whether Justice or the War Department should close the contract with the du Ponts, and he made the statements you are about to read. I have seen them before.

Mr. Hiss. (reading):

> General Williams. I am willing to say this: I think that under the contract I, as Chief of Ordnance, would have had authority to direct a 10-percent audit. Furthermore, I will say that under the circumstances—the question never was brought to me, but under the circumstances had it been brought to me, I would have directed such an audit.
>
> Mr. McLane——

Who was Mr. McLane?

Mr. Carnduff. He was United States district attorney for the middle district of Tennessee, at Nashville, Tenn.

Mr. Hiss. Was he assisting at this time in the preparation and investigation of this case?

Mr. Carnduff. He was urging that the Department of Justice investigate the Old Hickory transaction. He was assisting us to some extent, but at one of the hearings he became very angry and withdrew from the hearing. At this time I presume he was still assisting. I do not know.

Mr. Hiss. Mr. McLean asked:

> What I was driving at is, who did direct it?
>
> General Williams. I will admit the responsibility for directing that audit.

Mr. Guise, later on at the same page, is recorded as having made the following statement:

> This 10 percent that has been referred to is not an audit; it never was an audit. The 10-percent method referred to was the method used in checking the quantity and class of incoming materials.

Colonel Anderson asked him:

> That was true of the period of construction and operation.

And Mr. Guise replied:

> During the operation. There was practically no check ever found on the operation materials.

He stated, at the bottom of the same page [reading]:

> This was not the audit. Do not get "audit" and "check" mixed. An audit is an entirely different thing from a check. The Army inspector of ordnance, under the old system that was carried along to some extent in the new—although we were relieved to some extent of his responsibility for property—was the representative in the field and had to assume property accountability for all materials received and paid for by the Government. In these cost-plus contracts the miscellaneous items that made up the material being manufactured by the contractor had to be checked; the actual final cost of the article had to be checked in under the same method.
>
> The Army inspector was given a group of men—sometimes depending on his discretion, and generally depending on how far he made his check, more than anything else—for several purposes; primarily, we may say, so far as incoming materials are concerned, to check against the quantity and quality received. Secondarily, to check against processes in producing the material. Normally it was expected that a complete check would be made on the receipt of materials. That was had; there was no reversal that I know of at any time of the Ordnance Department regulations in that direction. Of course

I had myself about 8 months of inspection work, and during that period I had the old-time method, and I had the old-time property accounts. I only had nine all told to take care of.

In this case the evidence that it was possible to secure, together with a copy of the order issued by Lieutenant Foulke, indicated that a 10 percent check was made on the receipt of the material. That is, out of, we will say, 100 vouchers, 10 vouchers would be pulled out and checked up, and the 100 accepted as being correct if the 10 were correct.

Who was the chairman of this committee?

Mr. Carnduff. Dwight F. Davis, Assistant Secretary of War.

Mr. Hiss. Mr. Davis asked:

Was that the customary practice in the case of a large contract of this sort in those times, or was that specially in this particular case?

Mr. Guise. Well, I don't know. This was the only case anyway where I definitely came in touch with that particular practice. As I stated, in my property accounts I always worked on the old method. Even over in France I used the old system.

I also offer for the record at this time a memorandum to the Assistant Attorney General in regard to a preliminary investigation of the Old Hickory powder plant, prepared by George W. Storck, expert bank accountant.

(The memorandum referred to was marked "Exhibit No. 1190", and is included in the appendix on p. 3347.)[1]

Mr. Hiss. When the Department of Justice came into the case was any complete audit undertaken, so far as you know? I call your attention to these excerpts from Mr. Cameron's report, page 8.

Mr. Carnduff. Without that I can answer that as far as I was able to ascertain, or anyone working for me or with me, we had no complete audit with which to investigate the Old Hickory plant. So far as I know there never was any audit that was shown to us or that we knew about.

Mr. Hiss. On page 8 of Mr. Cameron's report there is a heading "Scope of examination."

It was an undertaking to determine the balance due from the du Pont Engineering Co. on August 31, 1924, qualified, however, in that accountants of this unit accepted as the base the balances as shown on the books of the du Pont Engineering Co. as of May 31, 1922. These balances of May 31, 1922, were reviewed by the then War Department examiner, W. G. Kileen, and were made the subject matter of a report.

That is the report you have already testified about as being sent to you, Major Carnduff?

Mr. Carnduff. That Kileen report is the second document in the letter sent to me by Major Booton in June 1923.

Mr. Hiss (reading):

The report of May 31, 1922, made by the auditors for the War Department, was brought up by your examiners to August 31, 1924. All charges and credits appearing on the books of the company between these dates were audited by this section. It should be observed that a reaudit of the whole of the accounts was not undertaken by this unit.

It was apparent that no attempt was ever made by the company or by the War Department to reconcile the finance records of the Government with the books of the company.

There are expenditures aggregating $35,323,732.84 yet to be put through the finance division for which no public vouchers have ever been issued.

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[1] In connection with "Exhibit No. 1190", Mr. Gregg under date of Apr. 26, 1935, submitted a brief which is included in the appendix on p. 3516.

On August 5, 1925, the Attorney General wrote to the Secretary of War.

(The letter referred to was marked "Exhibit No. 1191", and is included in the appendix on p. 3352.)

Mr. HISS. He stated in the last paragraph as follows:

> In conclusion, may I emphasize the fact that, in accordance with my understanding of your wishes, expressed in your letter of May 23, 1924, this Department has made no general investigation into the payments made to the du Pont Co. in the course of its work under the contracts in question.
>
> Furthermore, this Department has for obvious reasons made no effort to pass upon the accuracy or completeness of the War Department's audit in this case.

Was that the final action taken by the Department of Justice so far as you know in this case?

Mr. CARNDUFF. I do not know, because after this meeting in December 1924 I was taken off the case—in 1923, I mean. So I was not in the Department of Justice.

Mr. HISS. Did you make any recommendation prior to your being taken off the case, Major Carnduff?

Mr. CARNDUFF. Yes, sir; and it was acted upon.

Mr. HISS. What was your recommendation?

Mr. CARNDUFF. I recommended to the Attorney General that the contract between the du Pont Engineering Co. and the Government, commonly known as the "Jackling contract", be investigated by the Department of Justice to the end that a final accounting be made, and that all papers, documents, and records connected with it be transferred by the War Department to the Department of Justice for investigation and action if action were indicated. And that recommendation was approved. That was done late in December 1923 after the meeting at which the whole matter was discussed, at which Mr. Gregg and Mr. Pierre du Pont, and I believe, Mr. Raskob, were present.

Mr. GREGG. No; Mr. Pierre du Pont was not present at that, nor was Mr. Raskob. Mr. Haskell was there.

Mr. CARNDUFF. And Mr. Haskell was there; representatives of the du Pont Co.

Mr. HISS. Do you know whether the Comptroller General ever made any audit of the Old Hickory contracts?

Mr. CARNDUFF. Up to the time I was taken off this case at the end of December 1923 I know he did not.

Mr. HISS. I call to your attention a letter of July 10, 1925, which I offer as an exhibit, from the Comptroller General of the United States to the Attorney General.

(The letter referred to was marked "Exhibit No. 1192", and is included in the appendix on p. 3355.)

Mr. HISS (reading):

> I have the honor to call your attention to my letter of April 18, 1925, in matters pertaining to the indebtness to the United States of the du Pont Engineering Co. on whose bond the E. I. du Pont de Nemours & Co. is surety, and to state that no reply has been received to my said letter.
>
> This office is especially desirous of closing up the audit of the accounts of the du Pont Engineering Co., but it cannot do so until the accounts are received from the War Department and the Secretary of War advises that the accounts cannot be transmitted to this office until the case is returned by your Department with a report of the result of its investigations as requested by the War Department.

It was on August 5 that the Attorney General wrote to the War Department as already stated in evidence. On October 23, 1925, the Comptroller General wrote a further letter to the Attorney General.

(The letter referred to was marked "Exhibit No. 1193", and is included in the appendix on p. 3355.)

Mr. HISS (reading):

> By your letter of July 24, 1925, you informed this office that the case of the du Pont Engineering Co. would probably be closed so far as your Department is concerned within a comparatively short time, and that when a final determination had been made as to the matters to be reported to the War Department, you could communicate to this office the character of any indebtedness which your Department considered to exist again the du Pont Engineering Co. in favor of the United States, how it has been determined, and whether it is considered by your Department as still standing against either the du Pont Engineering Co. or the E. I. du Pont de Nemours Co.
>
> As no further information about the matter has been received, I have the honor to request the present status of the matter before your Department, and if it is possible to indicate when a determination will be reached, request is made that this office be informed about it.

On October 26 Paul Shipman Andrews—was he in the Department of Justice?

Mr. CARNDUFF. Paul Shipman Andrews was a special assistant to the Attorney General in the Department of Justice.

Mr. HISS. He replied to the Assistant Comptroller General as follows:

> Your letter of October 23 to the Attorney General has been referred to this office. The du Pont Engineering Co. case has been transferred to the War Department for further action and for administrative determination.

In other words, up to October 26 no documents could have been turned over to the Comptroller General, according to the record so far.

(The letter referred to was marked "Exhibit No. 1194", and is included in the appendix on p. 3356.)

Mr. HISS. On October 31, 5 days after the letter from Mr. Andrews, a final settlement contract was entered into between the United States of America and du Pont Engineering Co., signed by H. M. Pierce, president of the Engineering Co., and by Major O'Shaughnessy on behalf of the United States. So that apparently the Comptroller General could not have made a very complete audit of the voluminous records involved in this case between October 26 and October 31, the date of the settlement contract.

I offer that in evidence.

(The contract referred to was marked "Exhibit No. 1195", and is included in the appendix on p. 3356.)[1]

Mr. HISS. Mr. Gregg, one question to you.

I show you a report of the Government Claims Division to the executive committee of the du Pont Co., dated December 18, 1922.

(The report referred to was marked "Exhibit No. 1196", and is included in the appendix on p. 3359.)

Mr. HISS. At the time that the Comptroller General was writing to the Attorney General what matters were pending before the Comptroller General involving the du Pont Co.?

---

[1] An Ordnance Department memorandum prepared in connection with this settlement contract was entered into the record as "Exhibit No. 1215", see Hearings, Part XV, p. 3578.

Mr. GREGG. The du Pont Co. had been selling material from time to time to the Government. The du Pont Engineering Co. still had a certain balance in its possession under the du Pont Engineering contracts.

Mr. HISS. An undisputed balance that it admitted it owed the Government over and above claims, Mr. Gregg?

Mr. GREGG. In other words, the du Pont Engineering matters had not been closed up at that time. They were still under investigation. We still had a certain balance in our hands, and the Comptroller General took the position that he would not approve payment to E. I. du Pont de Nemours & Co. for current sales of materials to the Government until the du Pont Engineering contract was closed up and the unused balance returned to the Government.

Mr. HISS. May I call your attention to page 6 of this report, "Exhibit No. 1196", which states:

> Funds on hand were, November 30, 1922, for the Government, $947,000.

Does that mean that on that date that amount of money belonging to the United States was held by the du Pont Engineering Co.?

Mr. GREGG. That is correct. And the reason that was held is because these investigations were still going on. We did not know how long they would continue. We did not know whether we would have to go through the courts eventually, and we were unwilling to return the unused amount until the contract was closed up, because we did not know what expenditures we might have.

Mr. HISS. Mr. Gregg, these claims you referred to, before the Comptroller General, that were being carried on at this time, had no relation to the Old Hickory contract, did they?

Mr. GREGG. That is correct, except as the Comptroller General related them to them in this way.

Mr. HISS. But they arose out of the sale of materials to the United States Government?

Mr. GREGG. By the E. I. du Pont de Nemours & Co.

Mr. HISS. And the du Pont Engineering Co. had nothing to do with those contracts?

Mr. GREGG. With those sales.

Mr. HISS. With those sales?

Mr. GREGG. That is correct.

Mr. HISS. I call your attention to page 3, in which you say:

> Of the claims and accounts before the Comptroller General of the United States for settlement and payment, some have been tentatively allowed in whole or in part, but payment withheld on account of the du Pont Co. being surety for du Pont Engineering Co.

In other words, the Comptroller General refused to pay claims which he admitted the Government owed you until——

Mr. GREGG. Owed E. I.

Mr. HISS. Owed E. I. du Pont de Nemours & Co. until the Engineering Co. had paid back to the United States the amount which the Engineering Co. admitted was a balance due to the United States.

Mr. GREGG. Not admitted that it was a balance due to the United States, but it was the balance that was still in our hands.

Mr. HISS. How much dispute was there at that time about that amount?

Mr. Gregg. There were various items in dispute at that time.

Mr. Hiss. I call your attention to page 5 of "Exhibit No. 1196":

> The du Pont Engineering Co.'s differences with the War Department are as follows:

The total there shown is $361,709.13.

Mr. Gregg. That is correct.

Mr. Hiss. Whereas, on page 6, the total amount of Government funds was $947,674. So that you had a clear balance of well over $500,000, even if every point in dispute were resolved in your favor and you were to retain——

Mr. Gregg. But there was no assurance that those claims would be resolved in our favor, and therefore the possibility that we might have to go through court.

Mr. Hiss. But if they were not resolved in your favor you would repay the full $947,000?

Mr. Gregg. If they were resolved in our favor?

Mr. Hiss. If they were not resolved in your favor, you would repay the United States the full $947,000; is that not correct, Mr. Gregg? Perhaps the third sentence of the second paragraph on page 3 will refresh your memory.

> We are endeavoring to assist the legal department in the preparation of a brief or appeal to the Comptroller General, asking that the du Pont Co.'s accounts be paid, for the reason that the United States is protected in the case of the du Pont Engineering Co. by du Pont Co.'s bonds on the advances made to the Engineering Co.

By the "du Pont Co.'s bonds" you meant they had put up collateral?

Mr. Gregg. Oh, no, no. The du Pont Co. had bonded the du Pont Engineering Co. in connection with the advances that had been made.

Mr. Hiss. You do not mean bonds put up as collateral, you mean obligation bonds?

Mr. Gregg. Surety bonds.

Mr. Hiss. Right. So that you suggested that the United States rely upon the du Pont Co.'s credit rather upon a set-off of amounts held by the United States which the Comptroller General admitted you had a claim to, but for the Engineering Co., is that correct?

Mr. Gregg. What I meant by that was that if the Comptroller General went ahead and paid these claims of E. I. du Pont de Nemours & Co. for current sales, and even though we still retained this cash in our hands, the Government was still protected.

Mr. Hiss. By the credit of E. I. du Pont de Nemours & Co.?

Mr. Gregg. By the credit of F. I. du Pont de Nemours & Co.

Mr. Hiss. But you did not wish to rely upon the credit of the Government at the same time?

Mr. Gregg. It was a question of whether or not we might not have to go through court and incur a lot of expense in going through the courts.

Mr. Hiss. May I call your attention to the last sentence on page 3 [reading from "Exhibit No. 1196"]:

> So long as the Comptroller follows the plan of holding up payment of money to the du Pont Co. it will be a misfortune for the du Pont Co. to have its unpaid accounts with the United States exceed the amount of unspent United States money held by du Pont Engineering Co. Should the du Pont Co.'s un-

paid accounts exceed the sum of money held by the du Pont Engineering Co. the du Pont Co. might then be forced to sue in the Court of Claims for the amount due and the Government's reply would undoubtedly throw the du Pont Engineering Co.'s business into the Court of Claims instead of into the local Federal court, where it would be if the United States eventually sued the du Pont Engineering Co.

You did not wish to have the Court of Claims pass upon your powder claims, that is, claims for materials sold to the Government, but if the case were thrown into court, you preferred to have it tried in the local Federal court?

Mr. Gregg. Where we would have a chance to get before a jury.

Mr. Hiss. That is all I have.

The Chairman. You wanted to raise a question?

Mr. Gregg. How many minutes may I have, Senator?

The Chairman. If it is going to be extended minutes at all, let us wait until Monday morning.

Mr. Gregg. It is not going to be extended, just a couple of points I would like to make at this time.

I observe that one exhibit has been put in by Mr. Storck. In the investigation by a Congressional committee of Attorney General Dougherty, which you will no doubt recall, Mr. Storck and Mr. McLane, the United States attorney at Nashville, appeared before that committee and made various charges in connection with the Old Hickory contract. Mr. Storck testified that before that committee at this hearing on December 5, 1923, before this joint board which I mentioned, and which Major Carnduff has referred to. Mr. Storck there testified that he saw in my possession at that hearing that day his original report to the Attorney General with respect to the charges at Old Hickory.

I wish to state now that that statement is untrue. I never saw Mr. Storck's original report, a copy of his report, or an extract of his report to the Department of Justice, at any time or anywhere.

Mr. Hiss. That was not referred to, Mr. Gregg, in any of these letters that went in. There was no charge made that you had seen Mr. Storck's report in any of these exhibits.

M. Gregg. No. I appreciate that. I just wanted to clear that up.

That was the only thing that I ever got from the Department of Justice before this hearing or after that hearing with respect to Mr. Storck, and I did not know that these questions that Major Carnduff had submitted to me were in any way based on any report that Mr. Storck or anybody else had made to the Department of Justice——

Mr. Hiss. Mr. Gregg, may I ask one question to clarify that?

The congressional investigation to which you referred was an investigation on the charge that the Government's case had been disclosed to the du Pont Co., was it not?

Mr. Gregg. That is correct. And I say that that is untrue.

As to the settlement contract which we entered into with the War Department, dated October 31, 1925, eventually, of course, that went to the Comptroller General. When it reached the Comptroller General, the Comptroller General then called upon me for explanation of certain expenditures allowed under that report, and I wrote two memorandums for him. One was on the extra compensation for meritorious services performed by certain employees in connection with the construction of the plants, which included Old Hickory.

Another memorandum which I prepared for the Comptroller General dealt with certain other items that were in dispute before the War Department.

After the submission of those memorandums to the Comptroller General, the Comptroller General approved the settlement contract which the du Pont Engineering Co. had made with the War Department.

I also wish to call attention at this time—I have a number of other matters, but I will make this brief—that before the settlement contract was made with the War Department, a letter was written by Attorney General Sargent to the Secretary of War. I merely wish to point out at this time one paragraph. I may desire to refer to it later, but at this time one paragraph of that letter by the Attorney General to the Secretary of War.

Mr. Hiss. That letter is already in evidence, Mr. Gregg, as "Exhibit No. 1191." That was a letter from which I read the last paragraph.

Mr. Gregg. I just want to point it out.

> An extensive investigation of the charges of fraud or crime above referred to—

And this has to do with the du Pont Engineering matters—

> An extensive investigation of the charges of fraud or crime above referred to has failed to disclose reasonable or probable grounds for believing that during the performance of the contracts in question the du Pont Co. committed the offenses with which it has been charged, or any crimes, and in my opinion there is no warrant either for further investigation along these lines or for the institution of proceedings against the company based upon charges of fraud or crime.

Senator Clark. Who wrote that, Mr. Gregg?

Mr. Gregg. Mr. Sargent.

In this opinion of the Attorney General, he did suggest to the War Department that they give further reconsideration to certain items that were in dispute at that time. Those I will take up later.

Mr. Hiss. Mr. Carnduff, do you know what attorney succeeded you in charge of the case?

Mr. Carnduff. A hearing was held about the middle of December 1923, as a result of which it was determined that the Department of Justice should investigate this contract. A few days thereafter, within a week thereafter I received a letter from Attorney General Dougherty telling me that Mr. R. H. Williams, of Chattanooga, Tenn., had been assigned to the Old Hickory case, and I was instructed to turn over all my records and papers to Mr. Williams. In January 1924 I turned over all records of the Department of Justice in my possession to Attorney R. H. Williams, of Chattanooga, Tenn., and had nothing further to do with the Old Hickory case. I did not leave the Department of Justice. I remained there for another year. I did not, however, see Mr. Williams thereafter nor was I consulted by him.

Mr. Hiss. Mr. Williams did not ask your views as to the case or as to the procedure to be followed with respect to the case, Major Carnduff?

Mr. Carnduff. On the contrary, I tried to see Mr. Williams. I had worked on the case off and on for a year. I endeavored to get him to consult me or consult Colonel Anderson, who was my chief. To the best of my knowledge he never saw or consulted either of us.

Mr. Hiss. Major Carnduff, if you had been assigned to draft a reply to the Secretary of War for the Attorney General's approval, would you have included the paragraph which Mr. Gregg read into the record a few minutes ago?

Mr. Carnduff. Regarding fraud and crime?

Mr. Hiss. Yes.

Mr. Carnduff. At the time I left the case, I would. After a year's investigation and the reports of various auditors, detectives, and investigators, at the time I was taken off the case I had no positive evidence whatsoever of any fraud or crime on the part of the du Pont Co. or any of its subsidiaries, and I had nothing to lead me to suspect that there was fraud or crime. What we were desiring to do was to have an accounting.

Mr. Hiss. Would you have recommended a thorough audit or accounting at that time, Major Carnduff?

Mr. Carnduff. I certainly would, for the reason that our auditing and accounting of various reputable concerns as well as disreputable concerns had disclosed large sums of money due the United States. Up to that time I personally had collected back over $2,000,000 that had been wrongfully paid by the United States on war contracts. In many instances, where the evidence of this overpayment was shown to the contractor, he freely and gladly paid the amount due the United States without further trouble. Before we could set up a bill as to what we thought was due, we had to have a thorough auditing and accounting and proof of the amount due. We did not have that with reference to the du Pont Co. in December 1923.

Mr. Hiss. Did you ever satisfy yourself that there had been any thorough auditing of the du Pont contract for the construction and operation of Old Hickory by the War Department or by any other agency of the Government?

Mr. Carnduff. There had been within the knowledge of anyone in the Department of Justice no thorough audit of the Old Hickory contract by the Government. We understood that there was a complete audit of the Old Hickory contract made by the du Pont Co., and that the supporting papers and vouchers and the audit were in Wilmington, Del. Mr. Cameron and myself went to Wilmington, Del., and were shown those supporting papers, which filled a room larger than this room on the top floor of the du Pont Building. And the du Pont officials told us we were free to look at any and all of them we desired.

Mr. Gregg. I wish to say at that point that starting in 1919 and leading up to 1921 the War Department had a force of auditors in Wilmington, as I say, running at one time up to approximately 103, going over these contracts. So far as I know, they audited every voucher. Just as an illustration, they got down to one point where they disallowed a fountain pen costing $2.75 because we could not locate the fountain pen.

Senator Pope. What is the date of that letter, that opinion of the Attorney General?

Mr. Hiss. August 5, 1925.

Mr. Carnduff. Mr. Hiss, I would like to add to my answer.

At the time I left the case, I was fully convinced that the du Pont Engineering Co. owed the United States a balance of at least

$900,000, and possibly a great deal more. This balance was admitted as due, and I made demand upon the du Pont officials for this balance. There was some question as to how it would be paid and what kind of a receipt would be given if it were paid. I never got a chance to collect it because I was taken off the case. But I am confident that I could have collected the greater part of that $900,000 at that time. Mr. Gregg indicated that he was ready to pay it, or some of it.

Mr. GREGG. No. I said at that time, Major—I beg your pardon—that we did not want to return that sum of money until we knew that there was going to be a settlement or there was some wind-up of the case, either through the courts or otherwise.

Mr. CARNDUFF. I believe it was agreed that the money would be paid if a receipt in full would be given. I refused to give a receipt in full for the reason that an audit might develop more money due.

Mr. GREGG. I do not recall your mentioning a receipt in full at the present time.

I would like to state this at this time: These matters had been in the Department of Justice for over a year, and we were not making very much progress toward settlement. We did want to get through with this thing some day. I saw Attorney General Sargent shortly after he came into office. I had never met him before. I spoke to him about these matters in the War Fraud Section. He said, "I do not know anything about the details."

I said, "Mr. Attorney General, I am not asking you to go into the details. I am not asking you to dismiss these charges. I do not want them dismissed. I want them fully investigated. If we are guilty of fraud, we should suffer the consequences. The only thing I am asking you to do: Will you not be good enough to try to move the investigation along so that if we have to go into court, the sooner we get into court the sooner we will get out of court?"

Senator CLARK. Mr. Gregg, did not the district attorney for the district of middle Tennessee, to whom you refer, testify in that Dougherty investigation that the grand jury down there had either returned indictments or was about to return indictments, and that he was ordered by the Attorney General to send those papers to Washington, and that they fell into the possession of Assistant Attorney General Goff, and that he was never able to get them back?

Mr. GREGG. I do not recall that, Senator. I thought I had gone through that testimony quite thoroughly.

Senator CLARK. I have not been through it. That is my information, but I do not vouch for it. I was just asking if that was not the testimony, to that effect.

Mr. GREGG. But I do recall at this hearing that we had on December 5, 1923, near the close of the hearing, that Mr. McLane made various charges about overpayment of freight rates, and so on and so forth, and Colonel Anderson asked him to produce any evidence that he had to him the next morning at 9 o'clock. Colonel Anderson said to me, "You come in at 11 o'clock, and if I feel that there should be further explanation of this, or if it requires further explanation, you will have to do it."

I went to Colonel Anderson's office at 11 o'clock and, when I went in, he said, "Have you seen McLane this morning?"

I said, "No, I have not seen anything of him."

He said, "Well, he never showed up here, and I have not been able to find him." He told me later on that the evening of the hearing McLane had gone back to Nashville and never did submit the memorandum to him.

Mr. Hiss. Major Carnduff, may I ask you one further question: At the time that you left this case, were you of the opinion that, wholly apart from fraud and crime, solely in the realm of proper accounting to the United States for funds advanced, there was need of further investigation?

Mr. Carnduff. I was; and I think this hearing of December brought out—you have the testimony—that the responsible du Pont officials admitted there was some balance due the United States, the return of this money advanced it. We wanted to ascertain what the correct balance was and collect it. That had nothing to do with fraud or crime; an accounting proposition.

Mr. Gregg. That amount of $900,000 due at that time was reduced by various expenditures which were approved by the Government. What was left—between three and four hundred thousand dollars—we did return to the Government at the time of the settlement contract.

Mr. Hiss. Major Carnduff, over and above the $900,000 which was admittedly held on deposit, whether subject to claims or not is immaterial, were you of the opinion that it was proper to carry on a further investigation to determine whether or not the du Pont Co. owed the United States more than that $900,000?

Mr. Carnduff. Certainly. I wanted especially to investigate the matter of the Mason & Hangar fee, and a matter of bonuses paid to employees, to find out if they were proper or not. We had not made any decision as to whether they were right or wrong, but we felt these large sums should be investigated and examined from a legal standpoint. We needed evidence to do that, and we did not have the evidence at that time.

Mr. Gregg. I might say that as to the Mason & Hangar fee we did go to the Attorney General and the Attorney General rendered an opinion to the Secretary of War that the fee of 5 percent should be allowed.

Mr. Hiss. Colonel Harris, Mr. Gregg has referred to a number of Government auditors from time to time investigating. Were they War Department auditors, Mr. Gregg?

Mr. Gregg. They were War Department auditors.

Mr. Hiss. Colonel Harris, would you please bring on Monday whatever there is in the nature of an audit in the War Department that those 103 auditors prepared?

The Chairman. The committee will be in recess until 10 o'clock Monday morning.

(Thereupon, at 5 p. m., a recess was taken until Monday, Dec. 17, 1934, at 10 a. m.)

This concludes that part of the testimony known as "Part XIV, Old Hickory Contract." At this point the committee continued with the story of Old Hickory and entered into the question of industrial organization in war. (See Part XV.)

APPENDIX

EXHIBIT NO. 1138

[File: Publicity Bureau. Moses, Senator, replies to Dyes]

* AUGUST 16–22.

Memorandum of reply to statement of Senator Moses in United States Senate on July 14th, 1922.

During the discussion of the tariff bill in the United States Senate on Friday, July 14, Senator Moses, of New Hampshire, made statements concerning the dealings of E. I. du Pont de Nemours & Company, and is subsidiaries, with the United States Government in the late World War which should not be allowed to stand uncorrected. He said:

"I have here a tabulation drawn from official sources showing that, beginning with January 10, 1918, and running through to a latest date of February 11, 1919, the du Pont Co. and two of its subsidiaries secured advances from the Federal Treasury in the gross sum of $99,250,552.80. his money, Mr. President, was paid for the purpose of creating huge establishments which bear the du Pont name and which were devoted to furnishing supplies to the Government during the war. Thus the people of the United States not only financed the du Ponts in the tremendous extension of their business but were also mulcted by the du Ponts to an extent which enabled the company to increase its plant value to an admitted $220,000,000 while at the same time taking out net profits which in one year amounted to $129,000,000.

"The du Ponts still hold, as of July 1, 1922, $35,131,066.02 of Government funds unaccounted for, although the war ended almost four years ago. On practically none of this $100,000,000 of public money advanced to them did the du Ponts pay interest; and the only security they ever gave for any portion of this huge sum of the public's funds was their own notes or bonds."

The money advanced by the United States Government to E. I. du Pont de Nemours & Company (hereinafter referred to as du Pont Company) was used for the purchase of raw materials for the fulfillment of contracts to supply the Government with explosives, with the exception of $3,870,000 advanced by the Navy under contract 35819 for the construction of a plant for the production of T. N. T. for the Navy.

The du Pont Company's war construction work, to meet the demands of foreign governments for explosives, was virtually completed before the United States went into the war, and none of the funds advanced by our Government in 1918 could have been used "to increase its plant value to an admitted $220,000,000." he same statement applies to the profits which were mentioned in the Senator's speechT.

he records show that the $54,807,380.83 advanced to the du Pont Company has been completely liquidated and accounted for by the completion of contracts, the delivery of material, the settlement of claims, or the return of cash to the United States Treasury.

To a subsidiary of the du Pont Company, viz, the du Pont Engineering Company, the Government advanced money to be used and which was used only in connection with the construction and operation of Government-owned plants.

For the construction of Government-owned plants the du Pont Engineering Company received direct advances from the War Department totaling $24,506,250.00, and in addition thereto, the sum of $160,579.87, making a total of $24,666,829.87. The sum of $160,579.87 represented profit which had accrued to the du Pont Engineering Company under the first contracts for the construction of these Government-owned plants, which profit was waived in favor of the United States under the later contracts. The cost of construction of the Government-owned plants, the greatest of which was the Old Hickory Smokeless Powder Plant near Nashville, Tennessee, total $99,923,608.23, and (* These plants) were built by the du Pont Engineering Company at a profit to it of $1.00 per plant, but as the third plant was not completed, due to the armistice, the total profit paid to the du Pont Engineering Company on construction work totaling $99,923,608.23 was $2.00.

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* Pen and pencil markings.

The remainder of the funds advanced by the Government to the du Pont Engineering Company, viz, $20,667,800.00, was advanced for use in the procurement of raw materials, payment of labor, etc., in connection with the operation of Government-owned plants.

As of June 30, 1922, the Du Pont Engineering Company had on hand $940,960.60. This sum of $940,960.60 remained because some accounts were still in process of adjustment with the War Department. A total of $45,334,629.87 was advanced to the Du Pont Engineering Company in connection with the construction and operation of Government-owned plants. There was returned to the United States by four checks, dated June 30, 1920, of Du Pont Engineering Company, a total of $3,174,000.00; by check dated January 19, 1921, the sum of $133,981.57; and by check dated March 23, 1921, the sum of $16,516.20, or a total of $3,324,497.77 returned in cash to the United States. The balance of the funds advanced to Du Pont Engineering Company were expended in connection with the construction and operation of the Government-owned plants, all of which expenditures have been approved by the War Department with the exception of certain items in dispute involving approximately $361,709.00.

All moneys advanced by the Government to the Du Pont Engineering Company were kept in separate bank accounts and were drawn on only for use in connection with the contracts for the Government-owned plants, and all interest on unexpended funds advanced accrued to the benefit of the United States.

To another subsidiary of the Du Pont Company, viz, the Du Pont American Industries, Inc., the Government advanced $5,400,000.00, to be used by the Du Pont American Industries, Inc., as agent for the United States, in the purchase of cotton linters for the United States and its Allies. These funds were kept in separate bank accounts and interest to the amount of $147,965.28 accrued to the benefit of the United States.

Du Pont American Industries, Inc., was accountable for the total sum of $5,547,965.28, and by five checks, dated July 19, 1920, it returned to the United States in cash the total sum of $5,410,105.62, and has been credited with the return of an additional sum of $77,849.98 through the approval by the United States of certain accounts. Pending final settlement of one or two accounts, the Du Pont American Industries, Inc., has in hand only $62,175.62, which includes accrued interest.

The attached statement gives a detail of the advances made by the United States on and after January 10, 1918, to E. I. du Pont de Nemours & Company, and its subsidiaries, the Du Pont Engineering Company and the Du Pont American Industries, Inc.

Approved:

H. FLETCHER BROWN.

*Aug. 16–22.

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* Pen and pencil markings.

ADVANCES MADE BY THE UNITED STATES TO E. I. DU PONT DE NEMOURS & COMPANY ON AND AFTER JANUARY 10, 1918, FOR USE IN THE PROCUREMENT OF SUPPLIES AND MATERIALS AND THE CONSTRUCTION OF A PLANT FOR THE NAVY [1]

Govt. contract number	Amount of advance	Date advances were received	Security
Navy, 20070	$426, 593. 13	Jan. 10, 1918	Del. Surety Co.
Army, GE-140	70, 000. 00	Jan. 30, 1918	Demand note of contractor for $27,484,264.29. Secured by indorsement of P. S. du Pont and J. J. Raskob..
Army, GE-142	100, 000. 00	do	Do.
Army, GE-150	200, 000. 00	do	Do.
Army, GE-152	900, 000. 00	do	Do.
Army, GE-154	3, 500, 000. 00	do	Do.
Army, GE-167	414, 264. 29	do	Do.
Army, G610-311E	800, 000. 00	do	Do.
Army, 15467	750, 000. 00	do	Do.
Army, GE-151	3, 000, 000. 00	do	Do.
Army, G628-312E	5, 750, 000. 00	do	Do.
Army, G674-314E	12, 000, 000. 00	do	Do.
Navy, 32833	1, 114, 285. 00	Mar. 8, 1918	Del. Surety Co.
Navy, 35819	1, 290, 000. 00	Apr. 8, 1918	Do.
Navy, 35819	1, 290, 000. 00	June 8, 1918	Do.
Navy, 35819	1, 290, 000. 00	Aug. 10, 1918	Do.
Army, P-13360-1289E	1, 237, 500. 00	Aug. 24, 1918	Do.
Army, P-15386-1446E	8, 413, 600. 00	Sept. 28, 1918	Bond of E. I. du Pont de Nemours & Co.
Army, P-15386-1446E	5, 849, 055. 74	Feb. 12, 1919	Do.
Army, P-16920-1560E	1, 652, 777. 51	Oct. 29, 1918	Do.
Army, P-16920-1560E	1, 150, 944. 26	Feb. 12, 1919	Do.
Army, P-15092-1423E	2, 888, 361. 00	Oct. 29, 1918	Do.
Navy, 39669	720, 000. 00	Nov. 18, 1918	Del. Surety Co.
Total	54, 807, 380. 93		

ADVANCES MADE BY THE UNITED STATES TO THE DU PONT ENGINEERING COMPANY DURING THE WORLD WAR FOR USE ONLY IN CONNECTION WITH GOVERNMENT-OWNED PLANTS

P-4755-711E	$18, 750, 000. 00	Apr. 1, 1918	Bond of E. I. du Pont de Nemours & Co.
	125, 000. 00	May 27, 1918	Do.
	6, 318, 000. 00	May 24, 1918	Do.
	6, 318, 000. 00	Sept. 17, 1918	Do.
	2, 000, 000. 00	Dec. 23, 1918	Do.
	4, 318, 000. 00	Dec. 26, 1918	Do.
P-2337-1228A	1, 556, 250. 00	Apr. 26, 1918	Do.
	35, 579. 87	May 17, 1918	Do.
	713, 800. 00	May 29, 1918	Do.
P-3509-643-E	500, 000. 00	Aug. 21, 1918	Do.
P-9050-960-E	500, 000. 00	Aug. 31, 1918	Do.
P-15271-1433E	4, 200, 000. 00	Oct. 10, 1918	Do.
Total	45, 334, 629. 87		

ADVANCES MADE BY THE UNITED STATES TO THE DU PONT AMERICAN INDUSTRIES FOR USE ONLY IN CONNECTION WITH THE PROCUREMENT OF COTTON LINTERS AS AGENT FOR THE UNITED STATES

P-15261-1432E	$3, 825, 000. 00	Jan. 20, 1919	Bond of E. I. du Pont de Nemours & Co.
	1, 575, 000. 00	June 16, 1919	Do.
Total	5, 400, 000. 00		

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[1] Under date of May 7, 1935, the du Pont Co. informed the committee in response to a query that the item of $3,870,000, representing advances made by the United States Government under Navy contract no. 35819, was for the construction of a plant for production of T. N. X. for the Navy. The remaining amount advanced by the Government was on account of purchases of guncotton and rifle powder, ammonium picrate, boxes, and T. N. T. (See appendix, Part XIII, p. 3263, footnote [1], for additional data.)

Exhibit No. 1139

[Copies from file no. G–728–323–E]

War Industries Board, Council of National Defense

ROBERT S. BROOKINGS, COMMISSIONER FINISHED PRODUCTS

Washington, D. C., *November 7, 1917.*

Hon. Newton D. Baker,
War Department.

My Dear Mr. Secretary: Wishing to get to the bottom of the proposed contract with the Du Pont Company, I motored with Admiral Earl to Indian Head yesterday afternoon, and made a rather hurried but complete inspection of the naval powder plant which is located there. While the plant is small, producing only 25,000 lbs. per day, they have an appropriation for doubling this capacity at an expenditure of something like $2,000,000. I am convinced, from statements made me by the superintendent, Mr. Patterson, and the officers in charge that the plant is producing as good powder as is produced by any plant in the world, and I herewith enclose copy of report made by them October 21st of this year showing the cost during the fiscal year 1917 to be about 31¢ for what is known as "direct shop cost", with an overhead including boxing, interest, outbound freight, depreciation, etc. of about 9¢, or a total of 40¢ per lb. Of this cost, the contract with the Du Ponts would entirely eliminate the item of boxes, depreciation, outbound freight and barge expense, and interest, which, you will notice, aggregates about 7¢ per lb., reducing the cost to 33¢. This is a small scattered plant of only 1/40th of the capacity of the proposed new plant. With the purchasing power of the Government and the magnitude of the proposed plant, it is quite probable that the cost as outlined by the Du Pont agreement will not exceed 35¢ per lb., so that under the Du Pont contract, they would make during the first year of operation a profit of about 10¢ per lb., or approximately $30,000,000 in addition to the $13,500,000 construction commission provided for. From statements made me by Mr. Patterson, superintendent at Indian Head, I would place very little value upon the super-expert knowledge of the Du Ponts, or patents or other privileges attached to their service. They probably produce at Indian Head everything provided for at the proposed new plant except possibly a small amount of diphenylamine.

I herewith hand you enclosures just received from Col. Pierce, which indicate the cost to the British Government for contractor's services on a plant probably similar to this would average about 2%. This does not seem, however, to cover the plans and specifications.

I send this by bearer, hoping it may reach you before your interview with Mr. du Pont.

That the price demanded by the Du Ponts for construction, service, and operation is utterly out of scale with any possible service they can render would seem obvious.

If there is any further assistance which I can render you or the Department in solving this problem, I am, of course, at your command.

Yours truly,

Robert S. Brookings.

RSB–EMP

Exhibit No. 1140

[Copied from file no. G–728–323–E. Refer to no. 2908–22. HDB]

Naval Proving Ground,
Indianhead, Maryland, October 22nd, 1917.

To: Bureau of Ordnance.
Subject: Cost of smokeless powder manufactured at Indianhead during fiscal year 1917.
References: (a) Bu. Ord. letter 33446 of October 8, 1917.
(b) Bu. Ord. letter 32239 of June 9, 1917.

1. In compliance with references (a) and (b) above, the following report is submitted:

DETAILED COST OF MANUFACTURE OF SMOKELESS POWDER DURING THE FISCAL YEAR 1917

The cost of a pound of new powder is calculated for the year as follows:

	Per lb. of powder
0.645913 lbs. of cotton, at .108618	$0.070159
0.803035 lbs. of alcohol, at .064582	.051942
2.2743 lbs. of sodium nitrate, at .021027	.047824
1.485 lbs. of sulphur, at .011557	.017162
Production labor	.036737
Handling materials, labor	.004183
Leave and holiday	.009307
Superintendence and clerical	.007024
Repairs, labor, and material	.032885
Powder expense	.025465
Other material	.008191
Total	0.310879

(The above are all the items of cost which can be considered direct shop cost.)

Overhead cost:

	Per lb. of powder
(1) Powder boxes	$0.014308
(2) Administration (officers' pay and allowances)	.002743
(3) Pensions (disability pay)	.000505
(4) Expense charged to other appropriations	.014340
(5) Depreciation	.022766
(6) Insurance	.000440
(7) Rejected powder	.000000
(8) Experiments	.000000
(9) Purchasing expense	.001475
(10) Tug and barge service	.004533
(11) Freight	.009207
Total	.070317
Interest	.018495

Interest is calculated at 3 percent on a plant value of $2,001,635.00 and a value of stock in suspension of $1,993,800.00. Both the interest and all items of overhead expense are averaged to the total output of new and reworked powder, a total of 6,480,809 pounds, at $0.018495, $119,863.05.

Total cost to Government for the manufacture of one pound of powder during the fiscal year 1917, at the naval proving ground:

Shop cost	$0.310879
Overhead cost	.070317
Overhead cost	.070317
Total	.399691

Shop cost includes all material entering into the composition of the powder, all labor expended directly in connection with the manufacture, labor, and material used in repair of plant, cost of power for operating and all incidental material expended in connection with manufacture, whether entering into composition or not.

Overhead charges include all matters of actual cost to the Government exclusive of shop cost. Some of these expenditures are from ordnance appropriations and some are from other appropriations.

Interest is charged at 3 percent on the assumption that the Government can and does borrow money at that rate. All figures are reduced to a per pound basis on the total output of the factory.

Analysis of items included in overhead charges:

(1) *Powder boxes.*—A box contained an average weight of 109.5 pounds of powder, and is assumed to be good for three shipments, 109.5–328.5 pounds at $4.70 per box, equals $0.014308 per pound.

(2) *Administration (officers' pay & allowances).*—

One-half (inspector, paymaster, surgeon)	$6, 364. 12
Three-fourths (assistant inspector)	3, 649. 80
One-fourth (powder gunner)	659. 74
One-half (warrant machinist and pay clerks)	4, 672. 92
All (marine officer)	2, 428. 96
Total administration ($0.002743 per pound)	17, 775. 54

(3) *Pensions (disability pay)*, $3,275.08 per pound, $0.000505.

(4) *Expense charged to other appropriations, or jobs not already included.*—

Watchmen (one-half regular, all of special force)	$12, 037. 67
Handling refuse, one-half	497. 57
Care of motor trucks, carts, and wagons, one-half	420. 93
Care of livestock, one-half	817. 33
Care of grounds, one-half	7, 615. 60
Care of cottages, one-half	8, 473. 05
Care of launches, one-half	3, 973. 96
85 marines, at $433.16 per man	36, 816. 60
Heating and light offices and handling coal, one-eighth	502. 58
Care of Washington telephone line, one-half	811. 67
Care of offices and detached buildings, one-half	1, 825. 58
Care of laboratories	5, 430. 12
Care of creek water front and coal store	4, 888. 81
Tool room charges	1, 056. 47
Maintenance, garage	169. 64
Mixing house repairs	253. 85
Sulphuric house repairs	3, 090. 89
Dry house changes	4, 199. 25
Total ($0.014340 per pound of powder)	92, 936. 90

(5) *Value of investment.*—

Land	$10, 400. 00
Improvements, including railroad lines, pipe lines, grading, sewers, electric lines, etc	315, 745. 00
Buildings	815, 940. 00
Machinery, tools, furniture, and equipment	859, 550. 00
Total	2, 001, 635. 00

	Appreciation		Depreciation	
	Amount	Percent	Amount	Percent
Land	0	0	0	0
Improvements	0	0	$12, 629. 80	4
Buildings	0	0	48, 956. 40	6
Machinery, tools, etc	0	0	85, 955. 00	10
Total			147, 541. 20	

Depreciation per pound	$0.022766

(6) *Insurance.*—

Fire loss, at $0.00044 per pound	$2, 852. 55

(7) No lots of powder were rejected.

(8) *Experiments.*—All experimental work is already charged directly to manufacture and appears in shop cost.

(9) *Purchasing expense.*—377 requisitions were made during the year on account of the powder factory.

Estimated printing and advertising	$3, 000. 00
Estimated clerical work	3, 380. 00
Estimated officers' work	3, 280. 00
Total (per pound, $0.001475)	9, 560. 00

(10) *Tug and barge service.*—Records show during the fiscal year:

	Tons
Tonnage for powder factory	77,563
Tonnage for proving ground	29,740

Tonnage is for one way, not round trip. On account of the greater number of barges and trips required for bulky material delivered to powder factory, and the greater passenger list, ¾ of total cost of service is a fair estimate.

Total cost of tug service from supplies and accounts:

Maintenance	$28,564.03
Pay and provisions	10,610.16
Total	39,174.19
Cost per pound for ¾ tug service	0.004533.

(11) *Freight.*—The cost of making actual consecutive shipments of powder during the year ending June 30, 1917, from Indianhead to various magazines by rail, was:

	Freight
Powder (net), 5,462,935 pounds	$46,227.09

During the same period of time additional shipments by Government conveyance were made:

	Cost of shipmen
Powder (net), 366,037 lbs	$1,924.24

Summary of freight charges

	Pounds	Cost of shipment
Shipped by rail	1,857,907	$15,717.89
Shipped by boat	366,037	1,924.24
For proving-ground use	158,532	0.000.00
Awaiting shipment	4,098,333	[1] 34,426.00
Total	6,480,809	52,068.13
Demurrage charges at Indianhead and Washington Navy Yard		7,598.00
Total freight		59,666.13
Per pound, $0.009207.		

[1] Estimated.

Exhibit No. 1141

A2-14(5) (330921-2)

Department of the Navy,
Office of the Secretary,
Washington, Oct. 27, 1934.

Hon. Gerald P. Nye,
Chairman Special Committee Investigating the Munitions Industry,
United States Senate, Washington, D.C.

My Dear Senator Nye: In reply to your letter of 17 October 1934 (request no. 20), the information which you requested is contained in Indianhead letter of 22 October 1934, which is enclosed.

Sincerely yours,

Claude A. Swanson.

[Copy]

LL/A9-1(9-1)

NAVAL POWDER FACTORY,
Indianhead, Md., October 22, 1934.

From: Inspector of Ordnance in charge.
To: Bureau of Ordnance.
Subject: Data on cost of raw materials and manufacture of smokeless powder at the Naval Powder Factory during the fiscal years 1915–16, 1916–17, 1917–18, and 1918–19.
Reference: Telephone message from Bureau of Ordnance 17 October 1934 (received 19 October).
Enclosure (herewith): (A) Tabulated cost report of manufacture of new and reworked powder.

1. Complying with Bureau's telephone message received at Naval Powder Factory 19 October 1934, relative to request no. 20—memorandum to Secretary of the Navy; the following is the information desired given in the order listed in memorandum:

(1) PRICE PAID FOR RAW MATERIALS

Sulphur:		*Per ton*
1916	Union Sulphur Co	$23.03
1916	“ “ “	28.16
1917	“ “ “	24.11
1918	“ “ “	24.11
1918	“ “ “	30.51
1919	(None purchased.)	
Alcohol:		*Per pound*
1916	F. O. Boyd & Co	.06
1917	American Distilling Co	.06
1917	James A. Webb & Son	.074
1918	American Distilling Co	.10909
1919	(None purchased.)	
Cotton linters:		
1916	Massosoit Manufacturing Co	.0698
1917	“ “ “	.1419
1917	Standard Textile Co	.10
1918	Tennessee Fibre Co	.1079
1918	Maridia Cellulose Co	.0975
1918	Standard Textile Co	.0869
1919	(None purchased.)	
Diphenylamine:		
1916	General Chemical Co	1.0036
1917	National Chemical Co	.60326
1917	E. I. du Pont de Nemours Co	.60
1918	(None purchased.)	
1919	(None purchased.)	
Sodium nitrate:		
1916	H. J. Baker and Bro	.02375
1917	“ “ “ “ “	.0198
1918	Crossman and Seilkman	.02221
1918	H. J. Baker and Bro	.0265715
1919	(None purchased.)	
Caustic soda:		
1916	James A. Miller	.042
1917	(None purchased.)	
1918	Shoemaker and Busch	.0825
1918	Wing Evans, Inc	.035
1919	Union Dye and Chemical Co	.03
Soda ash:		
1916	Mackall Bros	.0325
1917	(None purchased.)	
1918	Mackall Bros	.0325
1919	(None purchased.)	

(2) ANNUAL PRODUCTION SMOKELESS POWDER AT NAVAL POWDER FACTORY—FISCAL YEARS 1915–16, 1916–17, 1917–18, AND 1918–19

	Smokeless powder	
	New	Reworked
	Pounds	*Pounds*
1915–16	3,327,329	893,074
1916–17	6,020,989	459,823
1917–18	5,977,681	334,936
1918–19	5,322,967	799,203

(3) ACTUAL COST OF SMOKELESS POWDER FOR FISCAL YEARS 1915–16, 1916–17, 1917–18, AND 1918–19

Attached tabulated sheet (enclosure A) shows details of powder manufacturing costs at the Naval Powder Factory for above years.

L. P. JOHNSON.

Enclosure (a) with naval powder factory letter LL/A9-1(9-1) of October 22, 1934.]

Unit cost per pound of smokeless powder manufactured at the Naval Powder Factory, Indianhead, Md., for fiscal years 1915–16, 1916–17, 1917–18, 1918–19

Items of cost	1915–16		1916–17		1917–18		1918–19	
	New	Reworked	New	Reworked	New	Reworked	New	Reworked
Direct cost:								
Raw materials	.140040	.030272	.187087	.052317	.206463	.048082	.204445	.078961
Labor	.067082	.037820	.057251	.049149	.080158	.036508	.019105	.069732
Repairs	.031862	.015670	.302885	.018219	.038070	.013292	.053110	.032566
Power	.028335	.032385	.025465	.034166	.044503	.037037	.051706	.066813
Other materials	.053742	.004586	.008191	.005101	.009705	.003804	.004234	.003229
Total direct	.321061	.120733	.310879	.158952	.378899	.138723	.422600	.251301
Overhead:								
Includes station maintenance pay of officers, marines, enlisted personnel, Medical Department, tugs, barges, railways, housing, schools, communications, grounds, etc	.062449	.062449	.047111	.047111	.062318	.062318	.085963	.085963
Depreciation	.033565	.033565	.032766	.022766	.022290	.022290	.024318	.024318
Insurance	.000038	.000038	.000440	.000440	.016012	.016012	.000453	.000453
Interest	.023669	.023669	.018495	.018495	.033144	.033144	.035499	.035499
Total cost to Government	.440782	.240454	.409691	.247764	.512663	.272487	.568833	.397534

EXHIBIT No. 1142

[Copied from file no. P–4755–711E]

NOVEMBER 14, 1917.

HON. NEWTON D. BAKER,
Secretary of War, War Department.

MY DEAR MR. SECRETARY: You have doubtless heard that the War Industries Board by invitation of General Crozier had a long conference today with General Crozier, Col. Hoffer and Mr. McRoberts, representing the Ordnance Department, and Col. Butler and Mr. du Pont, representing the du Pont Company. I wish to say to you confidentially that while our protest has produced changes in the contract which will probably save the Government $5,000,000 or $6,000,000, and has modified one or two other conditions of the contract in the Government's interest, it still remains in shape where those who expressed themselves, Judge Lovett, Mr. Baruch, and myself, declined to approve it. While upon the one hand Col. Hoffer devoted himself to criticising the Indian Head cost submitted to you as compared with the cost of several kinds of material today, upon the other hand the du Pont people frankly admitted that they expected to make 10¢ per lb. under the contract. In other words, that they expected to produce the powder at 10¢ less than the fixed price mentioned in the contract. Practically the only changes offered were to rebate 6½¢ of the 15% charged on construction out of the profits they would make on operation, to be paid, however, in installments which would require 16 or 18 months operation of the plant in order to secure it. The other change, as I remember it, reduced their compensation from 5¢ to 3½¢ per lb. under certain conditions where the powder cost more to produce than the price named in the contract.

My only purpose in sending you this communication is to emphasize the conviction which I think we all have in the War Industries Board that, when a large sum of money like this is to be expended, unless we participate in the first stages of the conference and are able to mold it along lines which we feel to be fair and equitable, it is almost impossible to do anything with it. General Crozier, Col. Hoffer, and Mr. McRoberts had recommended in the most unqualified way this original contract, and, in our interviews with General Crozier and Col. Hoffer, no amount of arguments made any impression upon them, as they still insisted that the contract was not only a reasonable one, but one which evidenced the greatest generosity upon the part of the du Ponts. You can readily see how difficult it is to get men who have so conclusively passed upon a proposition to admit that they have made a mistake. I may be wrong, but I have the feeling that if we had participated in this negotiation from the beginning we could have just about reduced it one-half, i. e. 7½% on construction and probably 2½¢ per lb. for operation. Even this would have given them an absolutely secured profit of 7½ million dollars per year for nothing on earth but directing the policy of the company from their main office, as, of course, everything else was chargeable to the cost of powder and the Government furnished absolutely all the capital, and, by the terms of the contract, assumed risk of every kind and character.

On leaving the conference, General Crozier announced that he felt that, regardless of price the Government must have immediate action on this, and immediate action could only be had through the du Ponts, and therefore he would urge upon you the emergency necessity which, in his judgment, overshadowed all question of cost.

It was suggested to the du Ponts that they go ahead and construct this plant and operate it after construction, charging all cost of every kind and character to the Government, and, after they had demonstrated the great service rendered the Government, to leave to the Secretary of War the question of their compensation, assuring them that the Secretary of War could not do other than treat them fairly—in fact liberally—if he assumed the responsibility of paying them a fair price for their service. They may consider this, although I do not think it was received very favorably.

It seemed to me that you should have from the War Industries Board as quickly as possible our interpretation of this interview, and, not wishing to intrude upon your much occupied time, I concluded it was better to send you this communication at once by bearer.

Yours very respectfully,

Robt. S. Brooking.

Exhibit No. 1143

[Copy. File 90]

November Seventeenth, 1917.

New smokeless-powder plant for Government authority for purchase of land.

To Mr. Irénée du Pont.
To Mr. J. J. Raskob.
From E. G. Buckner.

For your information and records, we quote below letter from the Chief of Ordnance, dated November 15th, 1917:

"1. Confirming our conversation of this afternoon, I consider it necessary to the interests of the Government for your company to acquire title to the land that you have under option for a smokeless-powder plant.

"2. It is understood that your company is willing to purchase the land and to either sell it to the Government or dispose of it to any individuals that the War Department may name at the actual cost to your company plus interest at 4 percent.

"3. Your purchase of the land will be considered an acceptance of the conditions named above."

EXHIBIT NO. 1144

[Copy, file 90]

WASHINGTON, D. C., *Nov. 21–17.*

Mr. PIERRE S. DU PONT,
Prest. E. I. du Pont de N. & Co., Wilmington, Del.

Colonel Buckner advises me that options are beginning to expire on the machinery for the proposed plant of one million pounds of smokeless powder per day. The Department desires and authorizes you if the prices are reasonable to close all options where action is considered by your company necessary to protect the Government in the procurement of this machinery. You may close these options in the name of the Ordnance Department.

CROZIER,
503 p.

Copy to Irénée du Pont, F. G. Tallman, H. M. Pierce.

EXHIBIT NO. 1145

[Copy]

Statement of guncotton nitrated, cannon powder manufactured, and cannon powder packed, Old Hickory Plant, Nov. 19, 1918

		Total this month	Total to date this year
Guncotton nitrated:			
June	225,751		
July	1,835,185		
August	4,486,652		
September	8,008,034		
October	9,491,798		
Nov. 1st to 5th, inc	2,442,928		
Nov. 6th to 12th, inc	3,610,790		
Nov. 13th to 19th, inc	2,880,517		
		8,934,235	32,381,655
Daily average for period		454,819	
Daily average for month		525,543	
Cannon powder manufactured (1st stage):			
July	1,125,932		
August	2,874,084		
September	6,380,042		
October	9,385,036		
Nov. 1st to 5th, inc	2,077,710		
Nov. 6th to 12th, inc	2,587,874		
Nov. 13th to 19th, inc	2,329,416		
		6,995,000	26,760,096
Daily average for peiod		367,749	
Daily average for month		411,470	
Cannon powder finished:			
August	1,121,100		
September	3,256,150		
October	6,754,656		
Nov. 1st to 5th, inc	1,127,400		
Nov. 6th to 12th, inc	1,876,500		
Nov. 13th to 19th, inc	2,001,280		
		5,005,180	16,137,086
Daily average for period		315,991	
Daily average for month		294,422	

Exhibit No. 1146

[Copied from file no. G-728-323-E]

[Copy]

November 23, 1917.

Honorable **Newton D. Baker**,
Secretary of War,
Washington, D. C.

Dear Sir: In view of the complicated situation which has developed with respect to the proposed construction of military-powder plants for the United States Government, I wish to outline our point of view in order that no difficulties may arise through failure on our part to understand correctly this situation from the somewhat conflicting opinions that have been expressed.

The original negotiations for factories capable of producing a million pounds of smokeless powder per day to be constructed for the Government and operated as agent by E. I. du Pont De Nemours & Company was suggested by Colonel Hoffer, acting for General Crozier. Our company has constructed similar factories of equal capacity within 3 years and was therefore in possession of all information necessary for the carrying out of this project. We were able to give immediate reply in a definite proposition submitted by us to Colonel Hoffer. To this proposition General Crozier replied by an order dated October 25th, 1917, to proceed with the work. During the course of the formulation of the project there was full discussion concerning compensation to our company and later full explanation of our position in that respect. It was our understanding that the percentage charges and form of plans were acceptable to you, though we had no definite assurances to that effect either from you or through General Crozier or Colonel Hoffer.

Immediately on receipt of order we started to put into effect plans which had been rapidly developed during the course of negotiations. The following work was accomplished under the order:

We had already selected several interior sites, in anticipation of probable needs of the Government, and were able to recommend immediately the most desirable of these to the officers of the Government. Their approval was given, and immediately steps were taken to obtain options. The first site at Charleston, West Virginia, was placed under option.

We negotiated for a second site near Nashville, Tennessee, and obtained options on a major part of the necessary acreage.

We brought together rapidly the manufacturers of various apparatus and placed oral orders amounting to $2,369,762 on which work has been started.

We purchased a machine shop in Wilmington with a view to quickly extending our production of special machinery which has heretofore been built in our existing shops and which cannot be obtained elsewhere.

It was only after work was well in progress that we received your telegram, as follows (dated October 31, 1917):

"I have just had presented to me the details of the proposed contract with regard to increased capacity for powder production. This matter is large, intricate, and important. Do nothing about it until you hear further from me. Stay all action under the order until I can acquaint myself thoroughly with all features of the matter."

Since then we have delayed fitting of the new machine shop to its special purpose, as our company has no use for the property other than that involved in construction work for the United States Government.

We now have an order given to our vice president, E. G. Buckner, to proceed with the purchase of the West Virginia property for the United States Government, under agreement that we will be reimbursed for the cost plus 4% interest for the time that our money has been in use. The purchase is now being closed. Today we have received a telegram from General Crozier, as follows:

"Colonel Buckner advises me that options are beginning to expire on the machinery for the proposed plant of one million pounds of smokeless powder per day. The Department desires and authorizes you if the prices are reasonable to close all options where action is considered by your company necessary to protect the Government in the procurement of this machinery. You may close these options in the name of the Ordnance Department. Crozier."

Under this telegram we will endeavor to close contracts for necessary machinery, but this authority may not prove satisfactory to those who are asked to manufacture apparatus which is entirely useless for purposes other than the proposed factories.

From the above it appears that we have done promptly everything that it is in our power to do to expedite the completion of this important project.

We have agreed to construct the ten proposed units of the factory, or any substantial part thereof, or to donate our plans of existing plants to the Government should you desire the work done by others than ourselves. We have agreed to do construction work without profit, provided that the plants are operated by us for a sufficient length of time to give our company reasonable compensation for our services. We have refused two conditions only: First, to work without proper compensation; second, to divide with other contractors the work at any one site. The first refusal is necessary because the directors of our company, acting for our stockholders, have no authority to do otherwise. The second because the work cannot be accomplished promptly and properly under divided responsibility at any one point.

You doubtless realize that the magnitude of this work is very great, involving as it does transactions amounting to three hundred million dollars. The contractor acting as agent of the Government must be trustworthy to a degree not usually sought. I do not know if those responsible for the Government's side of the contract have satisfied themselves with respect to our company, but developments of the case indicate that at least some of those concerned have not the confidence that the situation seems to demand. May I ask that you and all others accepting responsibility with you satisfy yourselves absolutely on this point. If, on investigation, you cannot yield to us complete confidence, it would seem highly inadvisable to allot the whole or even an important part of this contract to us.

In this connection I will call attention to the history of our development of the military powder industry since the declaration of war in the year 1914. At that time our company was called upon by several of the Allied Nations for powder supply. We did not have factories in any way equal to their demand, nor did we have capital with which to construct these factories and supply materials. With absolute frankness we placed the situation before our prospective customers, stating that we could not undertake work of such magnitude unless we were paid $1.00 a pound for powder and obtained an advance of 50¢ per pound to furnish the necessary capital. Contracts were closed under which we became committed to the expenditure of over sixty million dollars in the construction of factories. Immediately on the completion of the first contracts at the price named, we made voluntary reduction to a price which we believed proper. This figure again proved acceptable. Since then every price named by us to foreign customers has met with approval without material discussion. Our customers have expressed themselves as more than satisfied with the treatment accorded them by our company. There is no doubt that we have made large profits, but their making has enabled us to complete work that has not been duplicated elsewhere. It has also placed us in a position to name prices for powder to the United States Government below those in force before the war, without any amortization charge whatever to cover use of factories which will shortly be permanently dismantled. When these low prices were named to the United States Government a like reduction was made in offers to the Allied Governments, much to their satisfaction. It is impossible from the record of recent years to cite an instance where our conduct was unfair or where improper profits were exacted.

With the assurance of our earnest desire and entire willingness, as always, to aid the Government in any way in our power, we feel that this matter has now been delayed so long and has become so complicated that we should express to you in writing our willingness to withdraw or to proceed under the modification of the order suggested by the Ordnance Department on Saturday, November 17th. May we ask for a prompt decision as to which of these courses is to be pursued?

Very truly yours,

E. I. du Pont de Nemours & Company,
(Signed) Pierre S. du Pont, *President*.

Exhibit No. 1147

EXTRACT FROM MINUTES OF EXECUTIVE COMMITTEE MEETING NO. 187, HELD ON JANUARY 18, 1918

Resolved, That the development department be authorized to pay $3,250,000 for the properties of the Federal Dyestuffs & Chemical Corporation as outlined in their report of January 17, 1918; provided, we are able to close a contract with suitable advance-payment clause with the U. S. Government or others for the sale of picric acid at a price and in an amount sufficient to net us a fair profit after amortizing the entire cost of this investment, including the cost of necessary construction work to manufacture picric acid including sulphuric acid plants; provided further, that before determining the amount to be amortized there shall be deducted a credit of $500,000 covering the estimated value of the dye investment to our company.

Exhibit No. 1148

EXCERPTS FROM SPECIAL MEETING OF THE WAR INDUSTRIES BOARD HELD MONDAY, NOVEMBER 26, 1917, AT 11:00 A.M. AT ROOM 54, C.N.D. BUILDING

November 26, 1917.

Hon. Newton D. Baker,
Secretary of War.

Dear Sir: After considerable deliberation and discussion of the two proposals for the erection of a powder plant, we have concluded that there is much technical expert service to be rendered in the construction and equipment of this plant not fully covered in the Graham-Sterritt proposition. We are of the further opinion that the emergency nature of the case required that the proposed plant be constructed in the least possible time and operated with the greatest efficiency, and based upon the best evidence we have—which is that of demonstration—it is our opinion that the du Pont people are in every way the best fitted for securing this result.

Inasmuch, however, as we have so far been unable to agree with the du Ponts as to what would be fair compensation for the erection and operation of the plant, we recommend that you invite the responsible heads of the Du Pont Company to meet you at your office and that you say to them that the emergency nature of the Government needs is such that you must insist upon their taking hold of the project without further delay, and, as the Government's agent, proceed to construct, organize, and operate the plants, aggregating approximately 1,000,000 lbs. capacity per day, in the shortest time possible, the Government to pay every dollar of expense connected therewith, as the work progresses; that inasmuch as we have not agreed as to what would be fair compensation for their services both in the erection and operation of the plant, and inasmuch as they must, of course, be willing to accept fair compensation for their services and the Government being perfectly willing to pay fair compensation.

Now, therefore, the Government proposes to pay them $1,000,000 in advance on account of the net profit or compensation to them over and above all cost of construction and operation and that pending the completion of the contract, i. e., 18 months after the first unit is ready for operation, the Government, through the Secretary of War, will endeavor to negotiate with them from time to time as to what, if any, additional compensation they should fairly receive for their services, and on the completion of the contract if the Du Pont Company and the Secretary of War have not been able to agree upon such sum, then the matter shall be left to the usual form of arbitration—that is, each party to select one arbitrator and the two so selected to agree upon a third, the findings of the two of these three to be binding upon both interested parties.

I may add that this recommendation of the War Industries Board is unanimous.

Respectfully submitted.

(Signed) Daniel Willard, *Chairman.*

The meeting adjourned at 3:00 o'clock p.m.

(Signed) H. P. Bingham, *Secretary.*

EXHIBIT No. 1149

[File 90]

NOVEMBER 28, 1917.

To: Board of Directors.
From: President.

At the request of the Secretary of War, I visited Washington yesterday and learned from him the decision in regard to contract for proposed Government smokeless powder plants.

The Secretary informed me that a meeting had been held the day before, at which were present the War Industries Board, General Crozier, and himself. He and General Crozier had presented opposite opinions. The Secretary being in favor of giving the work to other contractors and architects, such as Mr. Graham, who has visited our plants with the purpose of learning the nature of the work to be accomplished. The Secretary evidently realized that I understood that Mr. Graham was willing to undertake the work, for he said, "You understand, of course, that Mr. Graham has made no bid." He then said that the War Industries Board had made a decision, which, though contrary to his own views, he had decided to adopt. The decision is attached hereto.

After reading this letter of the War Industries Board, I told the Secretary that I would not assume the responsibility of a decision; that our directors were to meet today, and I would lay the matter before them with the recommendation that we do no accept the proposition of the War Industries Board.

The words "you must insist upon their taking hold of the project without further delay", and some remarks of the Secretary lead me to make the statement that if the Government had power to commandeer our services we should insist that such power be exercised in order to relieve us of responsibility that we could not assume ourselves. The Secretary replied that he was not sure of the law, but did not believe the Government had power of insistence.

As the Secretary had approved of the compensation agreed upon, I called attention to that understanding, to which he replied that our profit on the work might be anywhere from $13,000,000 to $30,000,000, that his mind could not conceive of services of anyone being worth such a price. In view of this opinion and the words of the War Industries Board, in which they propose to negotiate "as to what, if any, additional compensation they should fairly receive for their services" (above the million dollars which it is proposed to advance on profit account) it appears to me that Washington does not value our services highly. Assume the cost of powder at 35¢ per pound and the amount manufactured, 450,000,000 lbs., the total transaction including the cost of plant at $90,000.000 will amount to about $250,000,000. The profit named by the Secretary will amount to from 5 to 12%. The $1,000,000 proposed by the War Industries Board is ¼ of one percent, so that the largest addition that we might expect to be added to this amount would leave a profit wholly inadequate for so great an undertaking.

As I pointed out to the Secretary, the agreement of the Government to pay promptly for all obligations incurred does not relieve us of responsibility. In the first place, the validity of our agency cannot be established outside of courts, and no matter what precautions may be taken through the organization of the subsidiary engineering company we may become liable in some way. Furthermore, if the work is to be accomplished we must proceed with it without stoppage or delay of any kind. If the Government should suddenly command us as their agent to cease work, as they have already done twice, we would be obligated to assume great financial responsibilities in order to avoid a complete collapse of the project. This the Secretary could not deny.

I believe that I am right in saying that our interest in this project has been created through a desire to be of service to the Government at a critical time. We have all believed that as a business project we should not entertain the proposition in any way. The developments of the past month have shown that there is not urgent haste, otherwise we would have been allowed to proceed immediately. Second. We have not the implicit confidence of the Government, which will be necessary if we are to do this work successful. Third. In the opinion of the Secretary, who is the responsible head of the War Department, we are not necessary to the project and our services are being forced upon him against his recommendation.

Fourth. The delay that has already occurred forcing us further into the winter season and the methods that are to be adopted by the Government show that our services cannot be of the value we supposed. We are unaccustomed to handling Government contracts of this kind, and I doubt extremely if we have an organization capable of moulding itself to Government conditions.

In view of the above I recommend that we decline the offer of the War Industries Board, as presented by the Secretary of War, and recommend to the latter that he employ other contractors as we have reached the conclusion that our services to the Government have not the value that we had supposed.

PRESIDENT.

Whereas this board feel that our proposition will result in a net total compensation to us of not more than 10% on the construction cost and 15% on the operating cost involved in the revised order suggested by General Crozier, under date of ——— ———; and

Whereas this board feel that the War Industries Board must be of the opinion that the compensation may run materially in excess of this amount:

Resolved, That the Secretary of War be advised that we are perfectly willing to add a clause to the suggested revised order now before them under which our company will agree that in no event will the total compensation received by this company be an amount greater than 10% of the actual cost of construction and 15% of the actual mill cost of powder produced at these plants under our operation, as specified in the suggested revised order, this clause, however, shall not operate in the event of the Government discontinuing this suggested revised order within six months from the date of its execution;

Resolved further, That we respectfully decline the offer of the War Industries Board as presented by the Secretary of War, and that the president address a letter to the War Industries Board with a copy to the Secretary of War outlining our position in this whole matter, a copy of which letter will be spread on the records of this meeting.

EXHIBIT No. 1150

EXTRACT FROM MINUTES OF MEETING OF BOARD OF DIRECTORS OF E. I. DU PONT DE NEMOURS & COMPANY HELD ON NOVEMBER 28, 1917

On motion, duly made and seconded, the following resolution was unanimously adopted:

Whereas in the judgment of this board this company's revised proposal declined by the War Industries Board, by letter of November 26, 1917, will, if accepted, return us a net total compensation of not more than 10% on the construction cost and 15% on the operating cost, and

Whereas this board feels that the War Industries Board must be of the opinion that the compensation may be materially in excess of the above percentages: Therefore, be it

Resolved, That the Secretary of War be advised that this board is willing to add a clause to its said revised proposal under and by which the du Pont Company will agree that in no event shall the total compensation received by this company be an amount greater than 10% of the actual construction cost and 15% of the actual mill cost of powder produced at said plants under our operation, as specified in said revised proposal; this clause, however, not to be operative in the event of the Government discontinuing operations under said revised proposal within six months from the date of its execution; and be it further

Resolved, That we respectfully decline the offer of the War Industries Board as contained in letter of the Board, dated November 26, 1917, to the Secretary of War, and the president of this company is requested to address a letter to the War Industries Board, with copy thereof to the Secretary of War, outlining our position in this matter, and that a copy of said letter be made a part of the minutes of this meeting.

EXHIBIT No. 1151

[Copy from file no. GE–471.5—635.1–21]

DECEMBER 1, 1917.

D. WILLARD,
Chairman War Industries Board, Washington, D. C.

DEAR SIR: The Secretary of War has transmitted to E. I. du Pont de Nemours & Company the letter of your Board dated November 26th, 1917, outlining a proposal for construction and operation for the United States Government of factories capable of producing 1,000,000 pounds of military smokeless powder per day. The responsibility imposed in the acceptance of the proposal is so great that it was referred to the board of directors of the company for their decision. At a meeting held November 28th, 1917, the proposition was given most careful and lengthy consideration, not only from the point of view of financial advantage to the company but from the side of the Government with full appreciation of its needs, the gravity of the situation and the appeal of patriotism. As a result the board of directors have requested that this letter be addressed to the War Industries Board, respectfully declining their offer of November 26th.

It is important that there may be no misunderstanding of motive and no failure to exactly meet the minds of those who have the responsibility of providing the powder supply for the proper conduct of the war. Therefore a complete picture of the situation as presented to our officers and directors is given:

E. I. du Pont de Nemours & Company are the owners of about ninety percent of the military smokeless powder producing capacity of the United States. We are credibly informed that our capacity is equal to that of Great Britain and France combined. Practically all of our plants are now in operation, including land, waterworks, cotton purification, sulphuric and nitric acid factories, guncotton, ether, and diphenylamine manufacture; rectification of alcohol; recovery of that ingredient, of sulphuric acid, of nitric acid, and of caustic soda; neutralization of waste water; villages for housing employees and a continuous daily output of 1,300,000 pounds of military powder has been developed by our engineers and operative forces since November 1914. In that period of time these plants have produced nearly 750,000,000 pounds of military propellants. It is known that others in the United States, with ample opportunity and unhandicapped by our control of any basic patent or monopolistic advantage, have failed to develop as we have done. Abroad we believe that neither our speed nor our economy of production was matched, though the spur of necessity bore heavily upon those in charge of furnishing the powder supply.

In contracting to build and operate these factories for foreign customers, now our allies in the war, a uniform charge of one dollar per pound of powder was made. Though in retrospect this price may now seem extremely high, the directors and officers of our company can testify as to their misgivings and sense of deep responsibility in accepting, even at that price, contracts calling for extreme rapidity of construction and operation in order to make deliveries in specified time. It was not only necessary to produce promptly in order to earn a profit, but certain deliveries were required to insure the amortization of factories whose cost alone, without materials to operate, almost equaled the entire capitalization of our company, including its then bonded debt. Failure meant loss of all profit on this important and onerous undertaking, and the company faced possible financial embarrassment had we met with serious reverses.

When amortization charges were covered we voluntarily reduced our prices, so that in April 1917 our price was 60¢ per pound. When our Government asked for bids we again voluntarily made a reduction and offered to all customers for prompt delivery millions of pounds of smokeless powder at 47½¢ per pound, a price never before equaled even in time of peace. However, the price was afterwards raised to 49½¢ per pound in order to cover the advance in price of one essential material. This price now prevails.

Throughout our foreign customers have placed absolute reliance upon the ability of the company to manufacture powder for them and have advanced for construction and operation of the factories very large sums of money, so that at times we held in excess of $100,000,000 of their cash without any security whatever, excepting the credit of the company and its good name. That their confidence was not misplaced is shown in the result.

The Allied Nations have so far received from us over 700,000,000 pounds of military smokeless powders.

During a period of three years every pound of powder has been delivered on time and not a complaint has been received as to the quality of any powder shipped and there has been no contention or dispute over any part of the contracts or their execution.

From the above it is evident that the United States Government now enjoys the advantage of an enormous and certain powder supply amounting to 440,000,000 pounds per annum, at a low price, and without necessity of paying one cent for amortizing these factories whose cost at today's prices would be $150,000,000, and without submitting to any delay for their building.

The history of this development is all important at present, for the Government now calls upon E. I. du Pont de Nemours & Company to duplicate its former accomplishment at a time when war conditions impose great difficulties in obtaining labor and materials, as compared to the year 1915, when construction work could be undertaken under favorable circumstances.

Our officers have given closest study to the causes leading to success but so far have failed to find any one or more specific things that have seemed to govern. A few general conditions we believe have been essentials:

1st. The absolute confidence of our customers and our employees.

2nd. The placing of responsibility upon our men and upholding their decisions.

3rd. The offering of proper financial inducement to all employees and generous reward to every man who shows extraordinary attainments.

4th. The pursuit of normal methods in conducting a very large business under presperous conditions.

We have insisted that these general conditions be safeguarded in our proposition to the United States Government; that is, this work is to be allotted to us as agent of the Government with absolute power as to the exercise of our judgment and discretion in its accomplishment. It is provided that the cost of work is to include an agreed percentage to cover necessary overhead expenses and extra compensation to the men who make the enterprise successful. Apart from these percentages there is to be a normal compensation to the company with addition thereto if costs are reduced below an agreed base figure.

In arriving at the terms of the order as it now stands we foresaw the possibility of a failure to operate the proposed factories after their completion. We, therefore, asked compensation for construction work agreeing that this should be 6½% on the cost thereof. This condition was promptly eliminated when the Ordnance Department proposed that similar compensation would be guaranteed through the operations of the factories.

We also asked a minimum compensation on operation. At first 5¢ per pound on a base cost of 44½¢ was proposed. By this means the Government was to be assured powder at today's price and E. I. du Pont de Nemours & Company was to be guaranteed a profit of 11¼% on cost. In naming this price we were confident that probable conditions would enable us to reduce the base cost which was proposed as an insurance provision only. Therefore, we have not counted material the change now established, namely, a base price of 46¢ with guaranteed compensation of 3½¢, even though this amounts to 7.6% only on cost of manufactures.

The offer as now worded does not leave us more than a small profit unless we attain complete success. Thus, should we manufacture our estimate of full output for the eighteen months operation (325,000,000 pounds if factories are operated until February 1st, 1920) at base cost of 46¢, the profit of 3½¢ per pound is 5% only on the total expenditure of $247,000,000 (this includes cost of factories at the estimate of $97,200,000). If operations at full output should continue until August 1st, 1919, only producing 175,000,000 pounds of powder the cost must fall to 40½¢ per pound in order to return to us 6½% on total expenditure. If, however, we meet greatest success in turning out the full output of 325,000,000 pounds of powder, cost must fall to an average of 36¢ per pound on the entire contract in order that the return to us may represent a commission of 10% on cost of construction and 15% on cost of powder.

We believe that a further reduction of cost below 36¢ per pound entitles us to participation in their savings even though our profit on operation should exceed 15% of cost. Such reduction must be conceded extraordinary as the average cost is figured on eighteen months operation during ten of which new units of manufacture will be continually brought into commission. However, if such such inducement to further economy is considered unwise by the War Industries Board our directors are willing to abide by that decision and will submit to a further modification of the order under which the maximum compensation to E. I. du Pont de Nemours & Company will be limited to 10% on cost of construction and 15% on cost of manufacture as above indicated.

Whatever may be the position in regard to the compensation of E. I. du Pont de Nemours & Company, the essential point of interest is the cost of powder to the Government. Prior to the war the price of powder was fixed by congressional act at 53¢ per pound. War conditions have added 10¢ per pound to this cost for essential ingredients alone; so that today's comparative figure should be 63¢ per pound without any additional allowance to the powder manufacturer. E. I. du Pont de Nemours & Company has reduced this figure by 21% and is now selling to the Government at 3½¢ below pre-war price fixed by Congress. Under the order now before the War Industries Board the Government may obtain powder at 44½¢, or 16% below pre-war prices in face of the above mentioned advance in essential materials of 10¢ per pound. We believe that a similar condition does not exist in any other business and that in the purchase of all other supplies the Government is paying a very substantial advance over pre-war figures.

We have responded quickly to every demand of the Ordnance Department in the formulation of plans for the construction and operation of the proposed factories, but have made it clear at the outset that we do not seek the whole or any part of this contract. The additional risks and burdens placed upon us cannot be compensated by financial return so that our willingness to negotiate has been based entirely upon the necessities of the Government and the belief that our company is not only the best equipped for executing the work promptly, but practically the only organization capable of so doing.

The order of General Crozier dated October 25, 1917, we thought official and final. On its receipt work was begun by us.

At once we were able to recommend the most desirable of several sites which had been selected by us after careful examination. The approval of the Ordnance Department was given and the first site at Charleston, West Virginia, placed under option.

We negotiated for a second site near Nashville, Tennessee, and obtained options on a major part of the necessary acreage.

We brought together rapidly the manufacturers of various apparatus and placed oral orders amounting to $2,369,762 on which work was started.

We purchased a machine shop in Wilmington, Delaware, with a view to quickly extending our production of special machinery which has heretofore been built in our existing shops and which cannot be obtained elsewhere.

All of this was accomplished within six days after the order was placed.

On October 31st, 1917, we received the following telegram from the Secretary of War:

"I have just had presented to me the details of the proposed contract with regard to increased capacity for powder production. This matter is large, intricate, and important. Do nothing about it until you hear further from me. Stay all action under the order until I can acquaint myself thoroughly with all features of the matter."

Since then, or for a period of one month, everything has been held in abeyance.

We do not know of any criticism as to the fairness of the compensation proposed for the construction and operation of these plants. The stumbling block seems to be the payment of the whole compensation to one corporation, especially to E. I. du Pont de Nemours & Company. To meet this difficulty we have offered to surrender any part of the work, or preferably, the whole of it, and to furnish other constractors with drawings of existing plants free of charge. We have insisted on two things only:

First, that we shall not be responsible for mistakes of others—that is, we will not operate a factory built by others nor will we build a factory to be operated by others—and on any one factory site the entire work shall be done by us.

Second, that for any part of the work done by us we shall receive a rate of compensation that is fair, even though the total amount of money so received may seem large if the magnitude of the work involved is not considered.

In attempting to duplicate our past record for the United States Government, under conditions that are more exacting and difficult than heretofore experienced, we must insist that the above-mentioned general conditions be continued as they now exist in the order of General Crozier. Without them we cannot undertake the work, as otherwise such undertaking will result in disappointment at a time when failure cannot be tolerated.

We therefore submit that the following must be of the essence of our contract with the United States Government in this important work:

First. The absolute confidence of the Government in us and our ability to perform the duties alloted to us. This confidence we will continue to impose upon our men in full belief that they will respond as they have in the past.

Second. The responsibility to us for ultimate success of the undertaking without interference. We will, in turn, divide this responsibilty among our men, and again they will succeed.

Third. A decision as to proper compensation for our services, including an allowance for extraordinary performance such as that already named in the order of October 25th issued by General Crozier.

It is with deepest regret that we find ourselves unable to accept the plan of the War Industries Board, but trust that this letter of explanation, together with our willingness to limit our compensation in the manner above stated, will enable the Board to reach a conclusion in this important affair.

Very truly yours,

E. I. du Pont de Nemours & Company,
Pierre S. du Pont, *President*.

124.

Exhibit No. 1152

Statement of sales to U. S. Government, 1899–1914, inclusive, including du Pont, Laflin & Rand, and International companies, but excluding California Powder Works, 1899–1902, with calculations on investment, permanent and working capital (excluding goodwill, etc.), and percent return thereon

	Fixed invest., less depreciation	Working capital	Total	Lbs. sold	Gross per lb.	Net per lb.	Profit	% net investment	Net profit on powder to Bethlehem &c.
1899	607, 620	444, 961	1, 052, 581	569, 473	79. 42¢	7. 17¢	40, 831	3. 88	
1900	1, 038, 031	609, 458	1, 647, 489	999, 196	81. 18	24. 49	244, 703	14. 85	
1901	1, 145. 893	786, 036	1, 931, 929	1, 284, 431	79. 27	21. 52	276, 410	14. 30	
1902	1, 181, 490	987, 552	2, 169, 042	1, 120, 565	73. 32	24. 04	269, 384	12. 42	
1903	1, 522, 333	1, 712, 222	3, 234, 555	3, 068, 562	71. 99	28. 61	877, 916	27. 14	
1904	1, 456, 032	2, 004, 111	3, 460, 142	3, 574, 235	71. 74	31. 87	1, 139, 109	32. 92	
1905	1, 636, 471	2, 931, 783	4, 568, 255	5, 042, 144	72. 08	36. 35	1, 832, 819	40. 12	
1906	1, 736, 658	2, 077, 418	3, 814, 076	5, 039, 957	71. 10	33. 39	1, 682, 842	44. 12	
1907	1, 641, 418	1, 619, 207	3, 260, 625	2, 777, 016	71. 10	26. 16	726, 467	22. 28	
1908	1, 640, 591	1, 748, 824	3, 389. 415	3, 686, 322	71. 85	26. 87	990, 515	29. 22	
1909	1, 610, 001	1, 228, 419	2, 838, 420	3, 474, 608	69. 74	23. 11	802, 982	28. 29	
1910	1, 748, 032	1, 873, 373	3, 621, 405	3, 010, 769	65. 93	22. 60	680, 434	18. 79	
1911	1. 726, 051	1, 772, 955	3, 499, 005	5, 585, 261	62. 02	25. 98	1, 451, 051	41. 47	34, 427
1912	1, 592, 402	1, 494, 909	3, 087, 310	4, 935, 272	60. 95	25. 64	1, 265, 404	40. 99	[1] 13, 459
1913	1, 596, 750	1, 822, 693	3, 419, 443	3, 001, 591	60. 01	23. 38	701, 772	20. 52	541, 116
1914 ([2] June 30tb)	1, 514, 588	1, 770, 149	3, 284, 737	4, 218, 444	55. 44	22. 46	947, 463	28. 84	1, 203
			48, 278, 430	51, 387, 846		27. 11	13, 930, 102	28. 86	563. 288

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[1] In red.

[2] Investment is shown as of June 30, 1914, as Dec. 31, 1914, includes some construction A/c "X" military business. The sales and profits cover the entire year 1914.

Net profit as above		13,930,102
Plus profit on B. & A. &c		563,288
		14,493,390
Less:		
Amt. depreciation charged to goodwill by International Co. entry, April 1906		322,719
Inventory adj. International Co. March '05		387,036
Assuming abandonment of permanent investment, 6-30-1914		1,514,588
Santa Cruz plant charged off Feby. 1912	139,169	
Less deprec	67,952	71,217
Net (25.27% return on investment)		12,197,830
Add: profit year 1915:		
Army & Navy	428,802	
Bethlehem, etc	331,401	760,203
		12,958,033

Average investment, 93.93¢ per lb.

EXHIBIT NO. 1153

EXCERPTS FROM SPECIAL MEETING OF THE WAR INDUSTRIES BOARD HELD MONDAY, DECEMBER 3, 1917, AT 3:00 P. M., ROOM 54, C. N. D. BUILDING

Present: The Secretary of War; the War Industries Board: Mr. Willard, chairman; Mr. Baruch, Mr. Brookings, Admiral Fletcher, Judge Lovett, Mr. Bingham, secretary; also Major General William Crozier.

Special meeting—Increase powder facilities.—The Secretary of War informed the Board that the du Pont Company had refused to undertake the building of the proposed powder plant on any other terms than those contained in their last proposition, except for a minor change which was considered to have little or no effect on the favorableness of the proposed arrangement. The opinions of the various members of the Board were expressed as to the advisability of giving the building of such a plant into other hands.

The Secretary of War having taken these opinions under consideration, the meeting adjourned at 4:35 p.m.

(Signed) H. P. BINGHAM, *Secretary.*

EXHIBIT NO. 1154

[Copied from file no. P-4755-711E]

E. I. DU PONT DE NEMOURS & COMPANY,
Wilmington, Delaware, December 10, 1917.

Honorable NEWTON D. BAKER,
Secretary of War, Washington, D. C.

DEAR SIR: The directors of E. I. du Pont de Nemours & Company have been confident in the preeminent ability of their company to construct and operate the proposed Government factories for the manufacture of one million pounds of military smokeless powder per day. This opinion was justified in the negotiations that led to the order of October 25th, 1917, received from General Crozier. Your temporary withdrawal of this order gave hope that means might be found by which we would be relieved of the burden of this work and the Government enabled to obtain satisfactory service at less cost but the fact that six weeks of valuable time has already been lost is a clear indication that better and cheaper service is not obtainable.

Yesterday General Crozier requested a conference at Wilmington. Prior to his coming the executive committee of our company, Mr. E. C. Buckner and myself determined to ask him whether there is a general agreement at Washington that our company's services are necessary to the Government and whether we are right in supposing that the question of compensation is alone responsible for the delay. If so, we determined to agree to submit to arbitration the disputed question in order that nothing might further interfere with this important work. General Crozier has assured us that he believes it necessary to call upon us for assistance and that there is no doubt in any mind that our company should undertake the work if proper compensation can be determined. I therefore have requested him to make an appointment for the purpose of presenting to you the attached proposition.

Very truly yours,

(Sgd.) E. I. du Pont de Nemours & Company.
(Sgd.) Pierre S. du Pont,
President.

[Copied from file no. P–4755–711E]

PROPOSITION OF E. I. DU PONT DE NEMOURS & CO. TO THE SECRETARY OF WAR

Whereas it appears necessary for the welfare of the United States that E. I. du Pont de Nemours & Company should undertake the work of construction and operation of the proposed Government factories for the manufacture of military smokeless powder at rate of 1 million pounds per day,

And, whereas this work which was ordered begun by order of General Crozier under date of October 25th, 1917, has been discontinued by telegraphic order of the Secretary of War dated October 31st, 1917,

And, whereas the Government desires continuation of this work if the question of compensation under the order can be satisfactorily arranged,

Now, therefore, E. I. du Pont de Nemours & Company proposes to accept the order of October 25th, with proper allowance for time already lost, together with the modifications thereof suggested in the proposed form of orders dated November 19th, 1917, changed to provide for capacity of 1,000,000 pounds per day, and letter of December 1st of E. I. du Pont de Nemours & Company addressed to the Board of War Industries in reply to their letter of November 26th, 1917 (copy of these documents are attached hereto). The letter of December 1st is to be further modified so that the maximum compensation shall be 15% on cost of manufacture plus 10% on cost of construction; from the total shall be subtracted the 6⅓% to cover cost of overhead expense referred to in paragraph 6, subdivision (*b*) of suggested order of November 19th, 1917. All of these modifications are embodied in the suggested form of order dated December 11th, 1917, copy of which is also attached hereto.

In accepting this order we agree that all questions of compensation to our company for service to be rendered both in construction and operation of the factories shall be referred to a board of arbitration of three members, one to be appointed by the Secretary of War and one by E. I. du Pont de Nemours & Company; the third to be appointed by the two arbitrators so chosen; no arbitrator to be an officer of, or person receiving compensation from the United States Government, or an officer, employee, or stockholder of E. I. du Pont de Nemours & Company. These arbitrators shall have placed before them this letter and the documents attached hereto and shall determine the compensation due our company in view of the services to be rendered and in view of the compensation provided in similar contracts now being entered into by the departments of the United States Government. The board of arbitration will be furnished such additional data as may be needed for reaching a conclusion. Their decision shall state the compensation to be provided by paragraphs 10, 11, 13, and 15 of the sugested form of order dated December 11th, 1917, and shall be final and binding on both parties.

E. I. du Pont de Nemours & Co.,
(S) Pierre S. du Pont, *President.*

EXHIBIT No. 1155

DECEMBER 11, 1917.

Messrs. E. I. DU PONT DE NEMOURS & COMPANY, *Wilmington, Delaware.*

GENTLEMEN: 1. I hereby direct you to proceed as soon as possible with the construction for the Government of complete plants for the manufacture of smokeless powder for cannon in units of a 100,000 pounds rated daily capacity, the total capacity of which will be 1,000,000 pounds of powder per day of twenty-four (24) hours.

2. The proportion of water-dried and air-dried smokeless powder to be manufactured in the plants will be determined before the execution of the formal contract covering this order. The plants will be located on sites selected by you with my approval, and will include sulphuric and nitric acid manufacturing and recovering plants, cotton purification, gun cotton, water supply, waste disposition, power, lines of communication and transmission, storehouses, freight yards with standard-gage tracks, plants for the manufacture of ether and diphenylamine, houses for employees to an extent which shall be proportionate to the housing facilities provided at existing plants of your company, administrative buildings, laboratories, shops, box factories, etc.

3. You will act as the agent for the Government in selecting sites for the plants and in effecting the use and occupancy or acquirement thereof by the Government and in providing all necessary labor and materials for the complete construction of the plants with the greatest dispatch. As the agent of the Government, you are authorized to do all acts necessary or convenient in and about the construction of the plants, and as such agent you will also make contracts and incur obligations in the name of the Government. The Government will indemnify you against any and all loss by accident, fire, flood, or explosion, or otherwise arising or growing out of the construction of the plants.

4. In order to expedite the construction of the plants you will be given freedom in the exercise of your judgment as to the preparation of the plans and the specifications of material and equipment to be used in construction and in the arrangement of the plants. All plans, drawings, and specifications, all subcontracts and all other writings in any way relating to the exercise of the agency created will be subject to the inspection of the chief of the gun division of this office.

5. The Government will reserve the right to furnish lumber, nails, cement, brick, and steel necessary in the construction of the plants, and to the extent that the Government exercises the right it will agree to make deliveries of the materials of suitable quality at such times and in such quantities as the bill of materials which you will furnish provides, but the cost of such materials shall be for all purposes included in the cost of the plants.

6. The Government will pay directly or will reimburse you for all cost incurred in the construction of the plants.

(*a*) There shall be included as a part of the construction cost and paid to you a sum equal to 1⅔% of all disbursements for construction (exclusive of amounts provided in subdivisions (*a*) and (*b*) of this paragraph); this fund to be expended by you at your discretion but in general accord with the existing practice of your company, as special compensation to the employees engaged in the construction of the plant and for the purpose of securing the completion and initial operation of the plant at the earliest possible date.

(*b*) There shall also be included as a part of the construction cost a sum equal to 6⅓% of all disbursements (exclusive of amounts provided in subdivisions (*a*) and (*b*) of this paragraph) which sum is hereby agreed upon as the cost of selecting and securing the sites, making all necessary surveys, supplying all plans, all engineering direction and supervision other than local supervision at the plants, purchasing and expediting the delivery of all materials and all administrative cost other than local administration at the plants, supervision other than local supervision at the plants and use of a machine shop which you are to provide at your expense for the manufacture of special machinery to be charged to construction at cost.

7. The Government will make prompt payments and, if necessary so to do, will attach a disbursing officer at the plants or at the office of your company.

8. It is understood that, based on your best judgment developed by past experience, the first of the units will be completed and ready for operation about eight (8) months after the date the land on which such unit is to be constructed is acquired, and that additional units will be completed at intervals of thirty (30) days thereafter; and that all units will be completed within eighteen (18) months thereafter.

9. Upon the completion of each of the units you will act as the agent of the Government to operate each unit, and such agency will continue for a period of eighteen (18) months after beginning operation of the first unit, unless revoked because the need for the output of such plants has ceased to exist or because of willful misconduct as the agent of the Government.

As the agent of the Government you will be authorized to do all acts necessary or convenient in and about the operation of the plants or any parts thereof, and as such agent you will also make contracts and incur obligations in the name of the Government. The Government will indemnify you against any and all loss by accident, fire, flood, or explosion or otherwise arising or growing out of the operation of the plants. No such loss shall be charged to the cost of operation, but in lieu thereof $0.004 per pound will be charged to the cost of operation, which amount is agreed as a proper charge to cover such losses.

10. The Government will pay directly or reimburse you for all costs of operation of the plants and in addition there will be paid to you the sum of 3½¢ per pound for all smokeless powder delivered and accepted, to cover engineering direction and supervision of operation, other than local supervision at the plants, purchasing and expediting the delivery of materials for operation, all cost of the administration of operation other than the cost of local administration at the plant, possible bonuses, and profit.

At the end of each month of operation the cost of the water-dried powder, exclusive of the cost of boxes and amortization and depreciation of plant but including the cost of components and the conversion thereof, repairs, power, transportation, general works expense, works accidents (as provided in paragraph (9)), and plants superintendence and all other proper items of cost shall be determined, and in the event that such cost shall be found to have been less than forty-six (46) cents per pound the Government will pay to your company, in addition to the 3½¢ per pound as above, fifty (50) percent of the difference between the amount by which the actual cost is less than the base cost of forty-six (46) cents per pound. The price of forty-six (46) cents per pound hereinbefore mentioned shall be increased or decreased as the cost of nitrate of soda used in the manufacture is greater or less than four (4) cents per pound, on a basis of using 1.65 pounds of nitrate of soda to manufacture one pound of powder.

Example: Should the cost of nitrate of soda used in the manufacture be three cents per pound instead of four cents per pound, the above-estimated base cost of forty-six (46) cents per pound will be reduced by 1.65¢ per pound to 44.35¢ per pound. With reference to air-dried powder the base cost on which additions to profit are computed will be forty-eight and one-half (40½) cents per pound.

11. The Government will reserve to itself the right to revoke and terminate the agency to construct the plants at any time. In the event that such right is exercised within six (6) months from the date hereof, the Government will pay to your company, in addition to the cost of construction paid or incurred to the date of such termination or revocation, a sum which, together with all moneys theretofore paid under subdivisions (*a*) and (*b*) of paragraph 6 of this order, will equal $900,000 for each month and proportionately for any fraction of a month during which the agency has been in operation. In the event that such right is exercised at a date later than six (6) months from the date of this order, the Government will be under no obligation to make payments other than those in this letter elsewhere provided.

12. The Government will reserve to itself the right to reduce the output of the plants herein provided to be constructed and operated, in which event the terms and conditions herein set forth will be applicable.

13. If the Government terminates the agency herein given after six (6) months there will be paid you, in addition to the sums paid under paragraph 10 of this order, a sum equal to six and one-half (6½) percent of the construction cost allowed in paragraph 6, less the following amounts:

10% of the sum due and allowed under paragraph ten (10), when the first twenty million pounds of powder have been made and accepted.

15% of the sum due and allowed under paragraphs ten (10), when the second twenty million pounds of powder have been made and accepted.

20% of the sum due and allowed under paragraph ten (10), when the third twenty million pounds of powder have been made and accepted.

25% of the sum due and allowed under paragraph ten (10) when the fourth twenty million pounds of powder have been made and accepted.

35% of the sum due and allowed under paragraph ten (10) when the fifth twenty million pounds of powder have been made and accepted.

45% of the sum due and allowed under paragraph ten (10) when the sixth twenty million pounds of powder have been made and accepted.

55% of the sum due and allowed under paragraph ten (10) when the seventh twenty million pounds of powder have been made and accepted.

65% of the sum due and allowed under paragraph ten (10) when the eighth twenty million pounds of powder have been made and accepted.

75% of the sum due and allowed under paragraph ten (10) on powder made and accepted thereafter.

Provided, however, that when the total deductions computed in the above manner shall have equaled 6½% of the construction cost all obligations to pay compensation for the services rendered in the construction of the plants will be cancelled and discharged and your compensation limited to that for operation as provided in paragraph 10.

14. It is understood that this order after acceptance by you, may be assigned to the du Pont Engineering Company, a Delaware corporation of nominal capitalization to be organized solely for the purpose of the construction and operation of the powder plant under this order.

The officers and directors of the du Pont Engineering Company will be as follows: President, Pierre S. du Pont; vice president, C. B. Landis; Irénée du Pont; H. F. Brown; H. M. Pierce, and F. G. Tallman; treasurer, C. B. Holliday; and secretary Alexis I. du Pont. Directors: H. F. Brown; E. G. Buckner, R. R. M. Carpenter, F. L. Connable, William Coyne, Alexis I. du Pont, Irénée du Pont, Lammot du Pont, Pierre S. du Pont, H. G. Haskell, J. P. Laffey, H. M. Pierce, J. J. Raskob, and F. G. Tallman.

15. It is agreed that the maximum compensation to be paid E. I. du Pont de Nemours & Company and/or du Pont Engineering Company shall be 15 percent of the cost of operation plus 10 percent of the cost of construction; from this total shall be substracted the 6⅓ percent provided in paragraph 6, subdivision (b).

16. It is also understood that concurrently with the execution of the formal contract with the new company covering this order, a tri-partite agreement will be entered into by E. I. du Pont de Nemours & Company, the du Pont Engineering Company and the Government wherein E. I. du Pont de Nemours & Company will guarantee to furnish to the Government and to the du Pont Engineering Company as and when and to the extent required in the construction and operation of the said powder plants.

(*a*) the services of the its engineering, purchasing, operating, and other special and technical departments;

(*b*) the right to use all plans, drawings and specifications, patents, processes, and trade secrets possessed by it;

(*c*) such working capital as may be needed.

This tripartite agreement will continue during the life of the contract between the du Pont Engineering Company and the Government and will be subject to modification only with the consent of the Government.

Respectfully,

——— ———.

The terms and conditions of the foregoing order are accepted and agreed to.

Exhibit No. 1156

War Department,
Office of the Assistant Secretary,
Washington, D. C., December 14, 1934.

Memorandum for the Director, Planning Branch.

1. The records of the War Credits Board, in the custody of the Chief of Finance, show that the following advances were authorized to contractors for the various services as follows:

Corps of Engineers	$3, 375. 00
Coast Artillery Corps	34, 000. 00
Chemical Warfare Service	493, 000. 00
Medical Department	498, 000. 00
Quartermaster Corps	19, 825, 464. 26
Signal Corps (which included Air Corps)	53, 177, 020. 16
Ordnance Department	[1] 174, 460, 855. 96

2. In addition to advances made by the War Credits Board, the Secretary of War authorized the following advances:

Signal Corps	$4, 000, 000. 00
Quartermaster Corps	17, 700, 400. 00
Ordnance Department	84, 645, 452. 72

3. The total advances authorized were:

Corps of Engineers	$3, 375. 00
Chemical Warfare Service	493, 000. 00
Medical Department	498, 000. 00
Coast Artillery Corps	34, 000. 00
Quartermaster Corps	37, 525, 864. 26
Signal Corps	57, 177, 020. 16
Ordnance Department	259, 106, 308. 68

E. M. Brannon,
First Lieut., J. A. G. D. (Inf.).

Exhibit No. 1157

[Copied from File No. P4755-711E]

December 12, 1917.

E. I. du Pont de Nemours Powder Co.,
Wilmington, Delaware

(For attention of Mr. Pierre S. du Pont.)

Gentlemen: On the 10th day of December Mr. Pierre S. du Pont and Mr. Buckner presented to me your letter of that date with regard to the question of manufacturing smokeless powder and the creation of additional capacity therefor. Prior to December 10th this matter had been under consideration between your company and the War Department, a full history of our conferences and correspondence appearing in the papers, of which both your company and the Government have copies.

After the receipt of the letter from your company definitely declining to accept a proposition from the Government as formulated in the suggestion of the War Industries Board and presented by me to your company, the War Department proceeded to work out a plan for the direct creation of this capacity by the Government itself. I therefore notified Mr. du Pont and Mr. Buckner on December 10th that the question would not be reopened, and that the Government would proceed directly in the matter. I then assured Mr. du Pont of my great appreciation of the generous willingness, expressed by your company to aid the Government in its undertaking, and I shall be most happy from time to time to call on you for such assistance as in the nature of the case you are most highly qualified to render.

Cordially yours,

Secretary of War.

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[1] Note—The six totals were not listed separately, but the above figure was determined by subtracting the total advanced to the other services, namely, $74,030,859.42, from the total advanced by the Board of $248,491,715.38.

("EXHIBIT NO. 1158" appears in text on p. 3211)

EXHIBIT NO. 1159

[Copied from File No. P-4755-711E]

(Du Pont established 1802)

E. I. DU PONT DE NEMOURS & COMPANY,
EXECUTIVE OFFICES,
Wilmington, Delaware, January 11, 1918.

Honorable NEWTON D. BAKER,
Secretary of War, Washington, D. C.

DEAR SIR: May I call your attention to the order of Major General William Crozier dated October 25th, 1917, which order is referred to in your telegram of October 31st, 1917, asking for a stay of proceedings until you have had opportunity to acquaint yourself with all features of the proposed contract. This order calls for transactions estimated at $325,000,000, covering a period of over two years and is probably one of the largest orders ever given by the United States Government. Cancellation of the order calls for a payment of $900,000 per month and proportionately for days elapsing between the date of order and date of cancellation. Whatever may be due our company under this provision of the order we make no claim for payment, as relief from the burden of the order is worth much to this company, even under its proposed compensation. As we understand that the Department is ready to compensate us for actual expenditures to date under this order, a statement of this account will be sent to you in a few days.

Abrogation of the order is not referred to in your letter of December 12th, 1917, nor in any other correspondence. We will greatly appreciate formal notice of abrogation as it would seem fitting to so formally close the transaction.

May I also call attention to the enclosed clipping from today's New York Times. Erroneous conclusions may be drawn from this statement. The profit of from twenty to forty million was not obtainable from the ninety-million-dollar investment in factories, but from the construction and operation contract amounting to three hundred and twenty-five millions, of which the larger sum of forty million dollars represented 12.3%, the smaller, 6.15% only. Reference to our offer to limit profits to 10% plus a further maximum addition of 5% based on equal divisions of reduction of cost of operation and the final offer to arbitrate the question of compensation would have more fairly represented the final condition of the negotiation. However, our company is not disposed to enter into any argument or public discussion and we do not ask correction of the statement above-mentioned.

Very truly yours,

E. I. DU PONT DE NEMOURS & COMPANY.
(Signed) PIERRE DU PONT, *President.*

EXHIBIT NO. 1160

[Copied from file No. P-4755-711E]

JANUARY 12, 1918.

MY DEAR MR. DU PONT: I have just received your letter of the 11th, and have referred it to the Assistant Secretary, as the powder matter is now under his immediate supervision, and I want him to prepare the formal letter to which you refer with the papers in the case before him.

I am writing this only to say that the extract from the New York Times which you enclose, and upon which you comment is not an adequate representation of my testimony on the subject before the Senate committee. I have not a copy of the testimony; but it will be out shortly, and you will then see that I have dealt with the utmost candor and fairness with the negotiations between your company and the War Department.

Cordially yours,

(Signed) NEWTON D. BAKER,
Secretary of War.

MR. PIERRE I. DU PONT,
E. I. du Pont de Nemours & Co.,
Wilmington, Del.

J

Exhibit No. 1161

[Copied from file No. P-4755-711E]

E. I. du Pont de Nemours & Co.,
Executive Offices,
Du Pont, established 1802 *Wilmington, Del., January 16, 1918.*

Honorable Newton D. Baker,
Secretary of War, Washington, D. C.

Dear Sir: Mr. D. C. Jackling has requested me to negotiate with him concerning work to be done in connection with the proposed military powder factories of the United States Government. I hesitate to enter these negotiations without your consent lest such intrusion might be misunderstood or prove objectionable. If E. I. du Pont de Nemours & Company can be of further service to the United States Government I should like to be assured of Mr. Jackling's authority and of your consent to negotiations.

I wish to thank you for your letter in regard to the incorrect reports of the newspapers concerning the powder situation and look forward to receipt of the full statement. While I felt sure that the brief paragraph of the New York Times could not represent all that was said on this subject, it seemed fitting to call attention to the inaccuracy in view of the cordial relations that have existed between us.

Respectfully yours,

(Signed) Pierre du Pont, *President.*

12

Exhibit No. 1162

[Copied from file no. P.4755-711E.]

January 19, 1918.

My Dear Du Pont: Mr. D. C. Jackling has full authority to discuss and negotiate with you with regard to any work in connection with the proposed military powder factories of the Government.

Cordially yours,

(Signed) Newton D. Baker,
Secretary of War.

Mr. Pierre I. du Pont,
President E. I. du Pont De Nemours & Co.,
Wilmington, Del.

Exhibit No. 1163

EXCERPTS FROM MEETING OF THE WAR INDUSTRIES BOARD HELD FRIDAY, JANUARY 25, 1918, AT 11:45 A. M., IN ROOM 54, C. N. D. BUILDING

Present: Judge Lovett, acting chairman; Mr. Baruch, Mr. Brookings, Mr. Frayne, General Pierce, Mr. Ingels, acting secretary.

Chemicals: Contract with du Pont Co. for design, construction, and operation of a plant at Nashville, Tenn., for the production of smokeless powder: Mr. Baruch submitted for the information of the board memorandum of understanding between Mr. Jackling, Mr. MacGowen, Major Mudd on behalf of the Government, and Mr. P. S. du Pont and Col. E. G. Buckner on behalf of the du Pont Co., dated January 24, 1918, regarding the proposed arrangement with the du Point Co. for the design, construction, and operation of the above plant.

The meeting adjourned at 1:00 p. m.

(Signed) H. P. Ingels, *Acting Secretary.*

Exhibit No. 1164

[Copied from file no. p-4755-711E.]

Washington, *January 29, 1918.*

Honorable The Secretary of War,
Washington, D. C.

Honorable Sir: Under the authority given to me in your letter of appointment dated December 15, 1917, empowering me to proceed with the construction and operation of new Government powder plants, I have agreed upon the form and terms of a contract with the Du Pont Engineering Co. whereby that company undertakes to build and operate a smokeless powder plant near Nashville, Tenn. A copy of this proposed contract is hereto attached and I request that you approve the same and direct its execution by such contracting officer as you may designate.

Very respectfully,

D. C. JACKLING.

EXHIBIT NO. 1165

CONSTRUCTION OF EXPLOSIVES PLANT NEAR NASHVILLE, TENNESSEE

Contract made and concluded this 29 day of January 1918, by and between Du Pont Engineering Company, of Wilmington, Delaware, a corporation organized under the laws of the State of Delaware, represented by Pierre S. du Pont, its president, party of the first part, hereinafter called "construction manager", and the United States of America by Brigadier General I. W. Littell, Quartermaster Corps, National Army, hereinafter called "contracting officer", acting by authority of the Secretary of War, party of the second part;

Whereas the Congress having declared by joint resolution approved April 6th, 1917, that war exists between the United States of America and Germany, a national emergency exists and the United States urgently requires the immediate performance of the work hereinafter described and it is necessary that said work shall be completed within the shortest possible time, and

Whereas it is advisable under the disturbed conditions which exist in the contracting industry throughout the country for the United States of America to depart from the usual procedure in the matter of letting contracts and adopt means that will insure the most expeditious results, and

Whereas the party of the first part has been requested by the party of the second part to act in the capacity of designing engineer and construction manager for this operation, and

Whereas the construction manager, its officials, and employees have had broad experience in the designing, construction, and operation of smokeless-powder plants and are capable of managing the construction program herein contemplated and are ready to undertake the same upon the terms and conditions herein provided, and

Whereas D. C. Jackling, of San Francisco, California, under authority given him by letter dated December 15th, 1917, signed by the Honorable Newton D. Baker, Secretary of War, was appointed special director with full power and authority to represent the United States of America in the construction of this plant and hereafter referred to as special director. Now therefore this contract witnesseth:

That, in consideration of the promises and of the payments to be made as hereinafter provided, the construction manager hereby covenants and agrees to and with the contracting officer as follows:

ARTICLE I

The construction manager will engage as the sole agent of the United States of America in the creation, construction, and operation of the plant hereinbefore described, and in consideration of the fee of five hundred thousand dollars to be paid to it as provided in article 7 hereof in sections *a*, *b*, *c*, and *d*, agrees to procure from the E. I. du Pont de Nemours and Company—

1. The disposal for the purposes of the party of the second part, exclusively for the Nashville plant, of the said company's experiences, records, and plans appertaining to the production of smokeless powder of the kinds and quantities herein referred to.

2. If it becomes necessary to employ supervisors, foremen, or laborers at existing plants of E. I. du Pont de Nemours and Company, or at the several sections of the Nashville plant, for the purpose of instruction in order to provide skilled employees for the sections of the Nashville plant as they are ready for operation, it is agreed that the United States of America shall pay for the cost of said instruction, but such cost shall not be included as one of the proper items of cost herein referred to in the determination of cost or powder on which the construction manager's compensation is to be based.

3. The construction manager will secure from E. I. du Pont de Nemours and Company, of Wilmington, Delaware, the services of its engineering department, and the full cooperation of the officers and organization of said company in and

in connection with the designing of, and preparation of plans, drawings, and specifications for, the said plant and its subsequent operation.

ARTICLE II

The construction manager, acting under the direction of D. C. Jackling, special director, aforesaid, will immediately upon the signing of this contract, proceed with a survey of the site and general lay-out of the plant, design, and preparation of all plans, drawings, and specifications necessary for the construction on a site owned by the United States of America, at or near Nashville, Tennessee, of a complete plant for the manufacture of water-dried smokeless cannon powder to consist of five sections or units, the aggregate capacity of said completed plant to be approximately five hundred thousand pounds of powder per day of twenty-four hours, the said plant to include sulphuric and nitric acid manufacturing and recovery plants, caustic soda manufacturing and recovery plants, cotton purification, guncotton, water supply, waste disposition, power, lines of communication and transmission, storehouses, freight yards with standard gauge tracks, plants for the manufacture of ether, diphenylamine, and rectification of alcohol, houses for employees, administrative buildings, laboratories, shops, box factories, hospitals, commissaries and stores, and such other things as may be necessary for a complete plant to manufacture five hundred thousand pounds of smokeless powder per day of twenty-four hours. The foregoing enumeration of work and activities shall not be deemed to be inclusive of all the work required to be done hereunder, and shall not be construed to exclude the right hereunder of the special director to order any work done not specifically herein mentioned.

If the United States of America desires the manufacture of small-arms smokeless rifle powder or air-dried smokeless cannon powder, the construction manager must be, in order to avoid delay, so notified in writing within ten days after the signing of this contract what proportion of the aforesaid capacity shall be devoted to small-arms smokeless rifle powder and what proportion to air-dried smokeless cannon powder.

ARTICLE III

The special director may from time to time by written instructions issued to the construction manager order changes in drawings and specifications, issue additional instructions requiring additional work, or direct the omission of work previously ordered, and the provisions of this contract shall apply to all such changes, modifications, and additions with the same effect as if they were embodied in the original drawings and specifications. The cost of canceling contracts with respect to omitted work is to be charged as part of the cost of the plant.

The construction manager shall comply with all such written instructions and drawings as part of this contract. All drawings and specifications to govern the execution of the work shall first have the approval of the special director.

The intent of this article is to insure that the design and construction of the plant is in accordance with the standard practice employed by the E. I. du Pont de Nemours and Company in the use of standard machines, types of apparatus, arrangement, and construction of same and methods of operation.

ARTICLE IV

United States of America shall bear the entire cost of the designing and construction of said plant and will supply all the money necessary therefor in such amounts and in such manner as to allow the activities with respect to the designing and construction of the plant to proceed without delay or interruption. To make the above effective a disbursing officer or officers shall be appointed by the contracting officer, who shall be provided with the necessary funds to meet all payments as due upon presentation by the construction manager of bills approved by the special director. The responsibility of the disbursing officer shall extend only to the ascertainment that bills, vouchers, or statements submitted for payment have been properly certified as approved by the special director or his duly authorized representatives or successors.

ARTICLE V

With the written approval of the special director, obtained from time to time, the construction manager shall be authorized to do all acts necessary or convenient in and about the construction of the plant and every part thereof, including the purchase and procurement of all materials and labor, also including the salaries and expenses of all officials and employees of the construction manager whose services are devoted to work on or in connection with said plant, and including also the traveling expenses of the officials and employees of the construction manager and of said E. I. du Pont de Nemours & Company, when engaged upon work connected with said plant, and as such the construction manager may make contracts and incur obligations in the name and on behalf of the United States of America, subject to the approval of the special director. In order that the construction manager may be enabled to secure the utmost possible expedition on such work of construction, it may, in its discretion, but subject to the approval of the special director, from time to time award reasonable cash bonuses to employees chargeable to said construction, and such bonuses shall be included as a proper item of cost in the determination of the construction manager's compensation for the construction aforesaid. Whenever it is inexpedient for any portion of the work of or connected with said construction to be performed by the construction manager, it may, in its discretion, sublet such portion of the work; provided, the contract of subletting is submitted to and approved by the special director before being entered into by the construction manager. All payments required to be made under the purchases and procurements and subcontracts above mentioned shall be made promptly by the United States of America through the disbursing officer herein provided for. It is understood that the construction manager in dealing with persons other than United States of America shall make all contracts, purchases and other arrangements for the performance of this contract in its capacity as agent for the United States of America and in its name and without liability on the part of the construction manager or special director under any contracts or purchases so made.

ARTICLE VI

United States of America shall not be obligated to make any expenditures relating to the performance of this contract unless the approval or ratification of the special director, or of the Secretary of War as provided in article 18, shall have been obtained, and the construction manager in the conduct of its duties shall abide by such directions of the special director as shall be given to the construction manager from time to time.

Pay rolls for labor and compensation for services performed and expenses incurred, invoices for materials, invoices for rental, contracts for construction of plant, and payments thereunder shall all be submitted to the special director for approval or ratification. Upon such approval or ratification the disbursing officer shall promptly provide and pay the amount required for such pay rolls, expense accounts, invoices, and contracts. The special director will from time to time instruct the contruction manager as to—

1. Method to be followed in reporting costs.
2. A submission of statements thereof, bills therefor, and all other supporting papers.
3. Submission of engineers' and accountants' certificates.

ARTICLE VII

As full compensation for the services of the construction manager herein provided to be employed for the designing and erecting of said plant, the United States of America shall in addition to the costs of the work, labor, and materials herein provided for make payment to the construction manager as follows:

(*a*) At such time as in the judgment of the special director twenty-five percent of the work to be done in designing and preparing the plans for "the plant" shall have been completed, the United States of America shall pay to the construction manager the sum of one hundred and twenty-five thousand dollars.

(*b*) At such time as in the judgment of the special director fifty percent of the work to be done in designing and prepraing the plans for said plant shall have been completed, the United Sttaes of America shall pay to the construction manager the further sum of one hundred and twenty-five thousand dollars.

(*c*) At such time as in the judgment of the special director seventy-five percent of the work of designing and preparing the plans for said plant shall have been completed, the United States of America shall pay to the construction manager an additional sum of one hundred and twenty-five thousand dollars.

(*d*) Upon the substantial completion of the general plans a final sum of one hundred and twenty-five thousand dollars shall be paid by the United States of America to the construction manager.

This fee of five hundred thousand dollars shall in any event be fully paid within four months of the date of this contract and shall not be included in computing the cost of the construction of the plant for the purpose of fixing the amount of additional compensation under paragraph (*f*) hereof.

(*e*) In the event the work is discontinued the foregoing fees mentioned in subdivisions *a*, *b*, *c*, and *d* hereof, amounting to five hundred thousand dollars shall be paid.

(*f*) In addition to the foregoing fees the construction manager shall be paid as compensation for designing and constructing the plant as herein provided three percent on the total cost of the construction of the plant, the same to be paid proportionately and monthly as the work progresses. Such monthly payments shall be based upon estimates made by the construction manager and approved by the special director. The total compensation to be paid under this paragraph marked "*f*" shall be limited to a maximum of one million five hundred thousand dollars.

(*g*) The construction manager will make no charge to the United States of America for the services of its officers, directors, or officials as such and only for such officers, officials, and employees as are actually employed on the work connected with this plant, and then only for such time as is so employed; the salaries, however, of all other employees of the construction manager who may be actually employed upon this operation as and when so employed, as well as the necessary traveling expenses and extraordinary or excess living expenses which constitute a part of their regular compensation under the terms of their employment, shall be paid by the United States of America.

ARTICLE VIII

The special director shall have the right to terminate this contract as to all its provisions because the need for the plant or the output of the plant has ceased to exist or because of the willful violation of this contract by the construction manager as agent for the United States of America. If the work is discontinued for either of the reasons above named, the amount to be paid for the services of the construction manager shall be determined as follows:

(*a*) Should the contract be terminated or the work discontinued before the completion of the construction of the plant, there shall be paid to the construction manager the sum of five hundred thousand dollars mentioned herein in article VII, paragraphs A, B, C, D, plus the percentage for construction mentioned in article VII, paragraph F, which shall have accrued at the time of such termination or discontinuance.

(*b*) Should this contract be terminated after the commencement of the operation of the plant, either in part or in whole, in the manufacture of powder, and within the six months' period or before ninety million pounds of finished powder have been produced, the compensation of the construction manager for the operation of the plant will be limited to the payments due and applying on the finished powder produced to the date of such termination plus a further payment on unfinished powder or materials actually in process of manufacture, which additional payments shall be based upon the proportion which the cost of such unfinished powder or materials bears to the total cost of an equivalent amount of finished powder that such unfinished materials would have produced.

(*c*) The construction manager hereby agrees to accept in the event of such termination of this contract or such discontinuance of the work, the aforementioned payments in full liquidation and settlement of all claims of any sort or nature hereunder and agrees upon the receipt of the same to release and indemnify the United States of America, the contracting officer and the special director hereunder from all claims of any nature whatsoever on the part of the construction manager.

ARTICLE IX

The United States of America shall hold harmless the construction manager from any and all loss by accident, fire, flood, or otherwise, arising or growing out of the construction or operation of said plant, but for the purpose of determining cost of production no loss due to accident, flood, fire, or explosion arising or growing out of the operation of the plant shall be charged to the cost of operation, but in lieu thereof $0.004 per pound of powder shall be charged to the cost of operation, which amount is agreed upon as a proper charge to cover such losses.

ARTICLE X

(*a*) The United States of America will pay all costs of whatsoever nature incurred in the operation of the plant and will in addition pay to the construction manager for operating said plant the sum of 3½ cents per pound for all smokeless powder delivered and accepted.

(*b*) At the end of each month of operation the cost of powder, exclusive of the cost of boxes and amortization and depreciation of plant and expense of maintaining guards at the plant, but including the cost of labor, ingredients, and the conversion thereof, repairs, power, transportation, general works expense, works accidents as provided in article IX hereof, plant superintendence, salaries, and expenses of all officials and employees of the construction manager whose services are devoted to work on or in connection with the operation of said plant, and also the traveling expenses of the officials and employees of the construction manager and of E. I. du Pont de Nemours & Co. when engaged upon work connected with the operation of said plant, and all other proper items of cost, administrative or otherwise, shall be determined, and in the event that such cost shall be found to have been less than 44½ cents per pound the United States of America will pay the construction manager, in addition to the 3½ cents per pound as above, 50 percent of the amount by which the actual cost is less than the base cost of 44½ cents per pound. The base cost of 44½ cents per pound hereinabove mentioned shall be increased or decreased as the cost of nitrate of soda, linters, shavings, alcohol, and sulphur used in the manufacture are greater or less than the prices per pound specified in this paragraph on the basis of the actual amounts of each of these five articles entering into the manufacture of one pound of powder. The prices to apply f. o. b. Nashville, Tennessee, are as follows:

Nitrate of soda, 4.1175¢ per pound.
Linters, 5.25¢ per pound.
Shavings, 4.22¢ per pound.
Alcohol, 12.459¢ per pound.
Sulphur, 1.3545¢ per pound.

All other ingredients (being of small importance) will be charged at actual cost.

Example as to nitrate of soda: Should the cost of nitrate of soda used in the manufacture be 3.1175 cents per pound, instead of 4.1175 cents per pound, and the quantity required be 1.65 pounds nitrate of soda per pound of powder produced therefor, then the above base cost of 44½ cents per pound will be reduced by 1.65 cents per pound to 42.85 cents per pound.

It is understood that the base price of 44½ cents per pound refers to water-dried smokeless cannon powder.

(*c*) In the event of the United States of America requiring the manufacture at this plant of air-dried powder or small-arms powder, the construction manager will be paid as compensation for the manufacture of such powder the same number of cents per pound as is paid concurrently for the manufacture of water-dried smokeless cannon powder, under the terms of this agreement. In the event, however, during any month no water-dried cannon powder is manufactured, the cost of the air-dried cannon powder shall be used in the calculation, and the base cost shall be 45½ cents per pound.

(*d*) In determining the cost of powder at such time as the construction and operation are in progress concurrently, the cost of each department, i. e., construction and operation, is to be determined on the basis of actual expenditures incurred in each. The expense of those employed on both construction and operation is to be divided in direct proportion as their time is so employed.

(*e*) It is understood and agreed that the construction manager shall operate the plant for the equivalent of six months at its full capacity; that is to say, that the plant, consisting of five sections, when and as completed will be operated to the equivalent of thirty section months. It is estimated that the full capacity of each of the five sections of the plant will be three million pounds of powder per month. And that accordingly thirty section months' operation will produce ninety million pounds of powder; but if, for any reason other than that of the termination of this contract as provided in article 8 hereof, the operation of the plant shall result in a production of less than ninety million pounds of powder during the period specified, then the construction manager shall continue operation until ninety million pounds of powder have been produced.

On water-dried powder the period of six months referred to herein shall commence for each section when the first powder therefrom is packed.

On air-dried powder the period of six months shall commence for each section when the first powder therefrom is put into the dryhouse.

If, during the operating period of six months specified herein, there shall be produced more than ninety million pounds of powder, the construction manager shall be paid upon the full amount so produced during such period.

At the expiration of the period of six months specified herein, payment shall be made to the construction manager for all finished powder and all other powder, whether air or water-dried, that is in process of drying or in a further state of completion.

If, at the expiration of the period of six months specified herein, the powder that has been accepted and the air-dried powder which is in process of drying, and which for purposes of final compensation is considered as finished product, aggregate ninty million pounds or more, the operation of the plant under the supervision of the construction manager shall cease, unless the United States of America has exercised its option as expressed in paragraph "F" of this article, but if less than ninty million pounds of powder, as specified in this paragraph have been produced, the construction manager is to continue operations of the plant until ninty million pounds of powder have been produced as outlined herein.

(*f*) The United States of America shall have the option of requiring the construction manager to continue operating the full plant upon the same terms and compensation as provided in paragraphs *a*, *b*, and *c* of this article for successive and additional periods of six months each upon giving notice to the construction manager three months prior to the termination of the operating period herein provided or of any extension of such operating period.

ARTICLE XI

The construction manager will use its best endeavors to construct the plant as quickly as possible, and estimates that the first section of the plant can be ready for operation in about eight months after the signing of this contract, and that the additional sections may be ready for operation, one each six weeks thereafter, so that the entire plant may be ready for operation in about fourteen months; it being understood, however, that the foregoing is merely an estimate and is in no sense a guarantee by the construction manager, the date of completion depending upon the full cooperation of the United States of America in obtaining the construction materials and equipment and the necessary labor. In making this estimate no allowance has been made for time necessary for securing the approval of contracts and drawings.

ARTICLE XII

The special director at all times shall have access to the work and operations provided for under this contract for inspection thereof, and at all times shall have access to all the books, records, correspondence, instructions, plans and drawings, receipts and vouchers, and memoranda of every description of the construction manager, and of all contractors upon the work appertaining to this contract, and the construction manager shall at the completion or cessation of the work under this agreement will leave in the possession of the special director all books, records, and other papers under its control and herein mentioned, but the construction manager thereafter shall have access to these records and papers.

ARTICLE XIII

As directed by the United States of America the boxes required for packing the powder to be manufactured hereunder shall be fabricated by the construction manager in the box factories constructed in connection with said plant, but the cost of such fabrication shall not be included in the determination of cost of powder on which the construction manager's compensation shall be based, nor shall the construction manager be paid any compensation therefor.

ARTICLE XIV

The United States of America shall arrange to remove the finished powder as fast as it is submitted, tested, and accepted.

ARTICLE XV

The construction manager is hereby authorized to procure liability insurance protecting it against loss due to claims on the part of employees or the public, charging the premium for such insurance as part of the cost of the work.

ARTICLE XVI

No Member of or Delegate to Congress or Resident Commissioner is, or shall be, admitted to any share or part of this contract or to any benefit that may arise therefrom; but this article shall not apply to this contract as far as it may be within the operation or exception of section 116 of an act of Congress approved March 4, 1909 (35 Stats. 1109).

ARTICLE XVII

No person or persons shall be employed in the performance of this contract who are undergoing sentences of imprisonment of hard labor which have been imposed by the courts of the several States, Territories, or municipalities having criminal jurisdiction.

ARTICLE XVIII

If any doubts or disputes shall arise as to the meaning of anything in this contract, they shall be referred to the special director for determination. If, however, the construction manager shall feel aggrieved at any decision of the special director upon such reference it shall have the right to submit the same to the Secretary of War, whose decision shall be final.

ARTICLE XIX

Notice under this contract shall be deemed to have been sufficiently given to and received by construction manager when mailed in a sealed, postpaid wrapper, addressed to Du Pont Engineering Co. at the plant site.

ARTICLE XX

The construction manager shall furnish to the United States of America within ten days after the execution and delivery of this agreement a performance bond in the sum of two hundred and fifty thousand dollars, conditioned for the full and faithful performance of this contract. Such bond shall be in the form and with sureties satisfactory to contracting officer. Premium of such bond to be charged to cost of the work.

ARTICLE XXI

If necessitated by lack of existing appropriations of public funds, applicable to this agreement, the United States of America shall have the right to make and execute and the construction manager shall thereupon execute a new contract under the same terms and conditions as herein provided.

ARTICLE XXII

It is understood and agreed that the parties hereto hereby release the said special director, D. C. Jackling, personally of and from any and all claims of any name and nature arising out of the execution, carrying on or termination of this contract for any reason or by reason of any act or omission on his part.

ARTICLE XXIII

This contract shall bind and enure to the benefit of construction manager and its successors.

It is understood and agreed that whenever the words "contracting officer" are used herein, the same shall be construed to include his successor in office or any other person to whom the duties of contracting officer may be assigned by the Secretary of War, and any duly appointed representative of the contracting officer, and wherever, with the exception of articles 7 and 18 of this agreement, the words "special director" are used herein, the same shall be construed to include his duly authorized representatives or successors.

Du Pont Engineering Company,
By (s) Pierre S. duPont, *President.*

Attest:

(s) Alexis I. duPont, *Secretary.*

United States of America,
By (s) I. W. Littell, *Contracting Officer,*
Brigadier General, Quartermaster Corps,
National Army.

Evan Shelby.
James H. Dangler.

Approved by—

(Sgd.) (s) Newton Baker,
Secretary of War.

Approved by—

(s) D. C. Jackling,
Special Director.

Witness:

(s) Irving E. Burdick.

Exhibit No. 1166

[One number of this paper bears revenue stamps of the value of $25.00, the said stamps having been properly cancelled.]

[The rate of premium on this bond is $10.00 per thousand; total amount of premium charged is $2,500.00.]

BOND NO. 291

Know all men by these presents, that we, Du Pont Engineering Company, a corporation organized and existing under the laws of Delaware, as principal, and Delaware Surety Company, a corporation existing under the laws of the State of Delaware, as surety, are held and firmly bound unto the United States of America, in the penal sum of Two Hundred and Fifty Thousand Dollars ($250,000), to the payment of which sum, well and truly to be made, we bind ourselves, and our successors, jointly and severally, firmly by these presents.

The condition of this obligation is such, that whereas the above-bounden Du Pont Engineering Company has on the 29th day of January 1918, entered into a contract with the United States of America, represented by ________________ to act as construction manager for the United States of America in and about the designing, construction, and operation of a plant at or near Nashville, Tennessee, for the manufacture of smokeless powder.

Now, therefore, if the above-bounden Du Pont Engineering Company, and its successors, shall and will, in all respects, duly and fully observe and perform all and singular the covenants, conditions, and agreements in and by said contract agreed and covenanted by said Du Pont Engineering Company to be observed and performed according to the true intent and meaning of the said contract, and as well during any period of extension of said contract that may be granted or during any period when the time limit may be waived on the part of the United States of America as during the original term of the same, then the above obligation shall be void and of no effect; otherwise to remain in full force and virtue.

In witness whereof the parties hereto have executed this instrument under their seals this 29th day of January 1918 (the name and corporate seal of said principal being hereto affixed and these presents duly signed by its vice president duly authorized so to do); and the name and corporate seal of said surety being hereto affixed and these presents duly signed by its president pursuant to resolution of its board of directors, passed on the 12th day of August 1915, a copy of the record of which is hereto attached.

Du Pont Engineering Company,
By H. M. Pierce, *Vice president.*

Attest:

Alexis I. du Pont, *Secretary.*

Delaware Surety Company,
By J. P. Laffey, *President.*

Attest:

W. F. Raskob, *Secretary.*

EXHIBIT NO. 1167

[Copied from File No. P-4755-711E. P400.13-2712]

PROCUREMENT DIVISION,
OFFICE OF THE CHIEF OF ORDNANCE, 6TH AND B STS. NW.,
Washington, D. C., March 23, 1918.

From: Colonel McRoberts, Chief of Procurement Division.
To: General Wheeler, Acting Chief of Ordnance.
Subject: Contract with Du Pont Eng. Co.

1. I transmit herewith for your approval, draft of contract between the United States Government and the Du Pont Engineering Co., for construction of powder plant at Nashville, Tenn., and its operation for an average period of six months from the time each unit is constructed.

2. The contract calls for an advance to the contractor, which, under the law, can be only granted upon the direct approval of the Secretary of War, or his constructive approval through the action of the War Credits Board.

3. It is suggested that the contract, if approved by you, be forwarded to the Secretary of War for approval and returned to this Division for execution.

SAMUEL MCROBERTS,
Colonel, Ordnance N. A.

Encl.
draft of contract.

EXHIBIT NO. 1168

[Copied from File No. OO 313.5-374]

CONTRACT MADE BY THE CHIEF OF ORDNANCE WITH DU PONT ENGINEERING COMPANY, OF WILMINGTON, DELAWARE, FOR A SMOKELESS-POWDER PLANT AND FOR THE OPERATION THEREOF, DATED MARCH 23, 1918

Total amount of contract, $____________
Execution completed____
(Date of final signature)
Copy sent to returns office, Department of the Interior____________________

WAR DEPARTMENT.
OFFICE OF THE CHIEF OF ORDNANCE.

[Washington, Government Printing Office, 1918]

This contract, made this 23d day of March 1918, by and between Du Pont Engineering Company, a corporation organized under the laws of the State of Delaware (hereinafter called the "contractor"), party of the first part, and the United States of America, by Samuel McRoberts, colonel, Ordnance Department, United States National Army (hereinafter called the "contracting officer") acting by and under the authority of the Chief of Ordnance, United States Army, and under the direction of the Secretary of War, party of the second part.

Witnesseth:

Whereas a state of war exists between the United States of America and the German and Austro-Hungarian Governments, constituting a national emergency, and the United States requires the immediate performance of the work hereinafter described, and it is necessary that said work shall be completed within the shortest possible time; and

Whereas the United States entered into a contract with the said Du Pont Engineering Company, under date of January 29, 1918, which contract was approved by D. C. Jackling, as special director, for the construction, as agent for the United States, 49971—18—1, on land owned by the United States at or near Nashville, Tennessee, of a plant for the manufacture of smokeless powder, said plant to consist of five sections or units of an aggregate capacity of approximately 500,000 pounds per day of 24 hours, and work thereon has been commenced; and

Whereas it has now become necessary that a plant consisting of nine sections or units shall be constructed, with an aggregate capacity of 900,000 pounds of smokeless powder per day of 24 hours; and

Whereas it is desirable that a new contract should be entered into for the construction and completion of the enlarged plant, and the operation thereof, such new contract to supercede and cancel (by mutual consent of the parties hereto and in accordance with the best interests of the United States) said contract of January 29, 1918:

Now, therefore, in consideration of the mutual agreements herein contained, the said parties have agreed, and by these presents do agree with each other, as follows:

ARTICLE I

The contractor agrees to proceed with a survey of the site and general lay-out of the plant, to design and prepare all plans, drawings, and specifications, to procure all the necessary labor and materials, and to construct on a site owned by the United States, at or near Nashville, Tennessee, a complete plant for the manufacture of smokeless powder, to consist of nine (9) sections or units, each with a capacity of one hundred thousand (100,000) pounds of smokeless powder per day of 24 hours, the aggregate capacity of said completed plant to be approximately nine hundred thousand (900,000) pounds per day of 24 hours (capable of being operated 27 days per month), available for the daily manufacture of—

(1) 700,000 pounds maximum of water-dried smokeless powder for cannon; provided, however, that not more than 50,000 pounds of water-dried military small-arms smokeless powder, in lieu of an equivalent amount of water-dried smokeless powder for cannon, may be produced, if required;

(2) 200,000 pounds maximum of air-dried smokeless powder for cannon.

The said plant to include sulphuric and nitric acid manufacturing and recovery plants, caustic soda manufacturing and recovery plants, cotton purification plants, gun-cotton manufacturing plants, water supply, waste disposal, power, lines of communication and transmission, storehouses, plants for the manufacture of ether, diphenylamine and rectification of alcohol, houses for employees, administrative buildings, laboratories, shops, box factories, hospitals, commissaries, stores, freight yards with standard-gauge tracks, spur track of standard gauge of approximately eight miles in length extending from the existing railway line of the Nashville, Chattanooga & St. Louis Railway Company to the plant site, and such other things as may be necessary for a complete plant of the capacity aforesaid.

The plant for the manufacture of diphenylamine, above referred to, will have an excess capacity sufficient to supply an adequate quantity of diphenylamine for the operation of the smokeless-powder plant now being constructed by the United States at or near Charleston, West Virginia, at its present capacity of 625,000 pounds of smokeless powder per day of 24 hours.

It is estimated that the total cost of the work aforesaid will be approximately seventy-five million ($75,000,000) dollars.

If, owing to the location, construction, or operation of said plant, it shall become necessary to remove, relocate, or extend any water main through which the city of Nashville, Tennessee, is supplied with water, the contractor is authorized to incur the necessary costs and expenses in connection therewith, and the United States shall promptly reimburse the contractor therefor. It is understood that no part of the cost of such work is included in the above estimate of $75,000,000.

ARTICLE II

The contractor is hereby authorized *to do all things necessary or* convenient in and about the construction of the plant, including the purchase and procurement of all materials and *labor necessary therefor*, except that the United States shall furnish the requisite amount of platinum, estimated at approximately 13,000 ounces, to be paid for by the contractor and charged to the cost of construction. In order that the contractor may expedite the work of construction, it may in its discretion, from time to time, pay extra compensation for materials or services, subject, however, to the approval of the contracting officer, which extra compensation shall be charged to the cost of construction. *Whenever it is inexpedient for any portion of the construction work to be performed by the contractor, it may, in its* discretion, sublet such portion of the work, upon the most *advantageous terms obtainable* consistent with the best interests of the United States. All such subcontracts to be subject to cancellation and termination upon the same conditions as those governing the cancellation and termination of this contract.

The United States shall reimburse the contractor for all costs and expenses of every character and description, incurred or made in connection with the construction and equipment of the plant, or any part thereof, including the pro rata share properly attributable to the construction work under this contract (a) of the expense of maintaining the contractor's offices at Wilmington, Delaware, or elsewhere, and (b) of the salaries and traveling expenses of all officials and employees of the contractor and of E. I. DuPont de Nemours & Company.

In order that the work of construction may proceed with the utmost promptness and dispatch, the contractor shall, from time to time, make the expenditures and pay the costs aforesaid, and the United States, upon presentation of satisfactory evidence of such expenditures and payments, shall promptly reimburse the contractor therefor.

Payments and reimbursements shall be made to the contractor by the United States, on account of said construction work, as follows:

(a) In consideration of the fact that the contractor is undertaking the construction of said plant without compensation for its services beyond the payment of *$1.* as hereinafter provided, it is agreed that the United States will, as far as possible, relieve the contractor of any necessity of utilizing its own funds in the prosecution of the work, and to that end, upon the signing of this contract the United States shall advance to the contractor, without payment of interest thereon by the contractor, the sum of eighteen million seven hundred and fifty thousand ($18,750,000) dollars to be absorbed or returned as in this article provided.

Any interest that may be received by the contractor on the moneys advanced on the construction work shall belong to the United States and be credited to the cost of construction. The contractor will deposit the sum so advanced in a separate bank account and at all times keep said sum distinct and separate from its own funds. It will use its best efforts to obtain from the depository or depositories the highest rate of interest obtainable on said balance or balances.

(b) Upon presentation of satisfactory evidence showing the costs and expenditures incurred or made in connection with said construction work, the United States shall promptly pay to the contractor amounts equal to such costs and expenditures, which payments shall be in addition to the advance payment mentioned in paragraph (a) of this article.

(c) Whenever seventy-five (75) per cent of the total estimated cost of the plant has been paid to the contractor, in addition to the advance payment mentioned paragraph (a) of this article then no additional payment on account of said construction work shall be made to the contractor by the United States until said advance payment of $18,750,000 is expended; provided, however, that if the total cost thereof shall be in excess of the amounts paid to the contractor, including said advance payment, then the United States shall, upon presentation of satisfactory evidence, reimburse the contractor to the extent of such excess cost, and if upon the completion of the plant there shall remain due the United States from the contractor any unused sums theretofore advanced by the United States in respect of the construction work aforesaid, the same shall be promptly returned to the United States.

The contractor shall be paid, in addition to reimbursement for the total cost of the construction of the plant, the sum of one (1) dollar, and no more, as its profit for designing, supervising, and constructing the plant. Any sums heretofore paid the contractor as compensation under the provisions of the said contract between the United States and the Du Pont Engineering Company under date of January 29, 1918, shall be credited by the contractor to the advance payment on account of construction, as herein provided, and be subject to the same conditions and disposition as herein provided for the said advance payment.

ARTICLE III

The contractor shall use its best endeavors to construct the plant as quickly as possible, and estimates that the first section will be ready for the manufacture of powder on or about August 15, 1918, and that the additional sections will be ready for the manufacture of powder one each thirty days thereafter, so that the entire plant may be ready for the manufacture of powder on or about April 15, 1919. It is understood, however, that the foregoing is merely an estimate and in no sense a guaranty by the contractor, the date of completion depending in part upon the full cooperation of the United States in obtaining the necessary construction materials, equipment, and labor.

ARTICLE IV

(a) As each section is completed the contractor shall forthwith proceed to operate it and shall do all things necessary or convenient in and about the operation of the plant, or any part thereof, including the purchase and procurement of all necessary materials and labor therefor. The contractor shall not, except with the written consent of the contracting officer, purchase raw materials for the manufacture of powder in excess of the amounts required for the complete fulfillment of this contract. The United States shall bear all costs and expenditures of every character and description incurred or made in connection with the operation of the plant, or any part thereof, including the cost of labor, materials, and their conversion, repairs, power, transportation, general works expense, works accidents as provided in article XIV hereof, plant superintendence, maintenance of guards, and also the pro rata share properly attributable to the operation of the plant, or any part thereof, (1) of the cost and expense of maintaining the contractor's office at Wilmington, Delaware, or elsewhere; and (2) of the salaries and traveling expenses of all officials and employees of the contractor and of E. I. du Pont de Nemours and Company.

The costs and expenditures determined as above, exclusive, however, of (1) the cost of placing finished powder in storehouses, (2) the cost of boxes, and (3) the expense of maintaining guards at the plant, shall be used in calculating the "actual cost" of powder, which actual cost shall be ascertained on or before the last day of exch month for the preceding month. Amortization and depreciation of plant shall not be considered in any way under this contract.

(b) In determining the actual cost of powder while construction and operation are in progress concurrently, the actual cost pertaining to each is to be determined on the basis of the actual expense incurred in each. Labor expense incurred in construction and operation is to be prorated in accordance with the time devoted to each.

(c) In addition to reimbursement by the United States for all costs and expenditures outlined in this article, as aforesaid, the contractor shall be compensated by the United States for the operation of the plant, as follows:

The United States shall pay to the contractor three and one-half (3½) cents per pound for each and every pound of powder delivered and accepted under this contract, and, in addition thereto, one-half the difference, if any, between the price per pound to be determined in accordance with the provisions of paragraphs (d) and (e) of this article, and the actual cost per pound, as ascertained under paragraph (a) of this article, where such actual cost is less than the price so determined.

(d) The base prices hereinafter specified are predicated upon the prices per pound, given below, f. o. b. Nashville, Tennessee, of the five component materials named:

Nitrate of soda	4.1175¢ per pound.
Linters	5.25¢ " "
Shavings	4.22¢ " "
Alcohol	12.459¢ " "
Sulphur	1.3545¢ " "

It is the intention of the parties hereto that the contractor shall not benefit or lose by any decrease or increase in the prices of any of said five raw materials from the prices named in this paragraph. If the cost of said raw materials, or any of them, shall so change as to decrease or increase the actual cost of the powder, as determined under paragraph (a) of article IV hereof, then the base prices hereinafter specified shall be decreased or increased accordingly.

All materials for construction or operation upon which prices have been fixed by the United States shall be purchased by the contractor at the prices so fixed, and where the price of any of the raw materials named in the above schedule has not been fixed by the Government, they shall not be purchased by the contractor at prices more than 20 percent higher than those specified above, except with the approval of the contracting officer.

(e) The base prices for the several grades of powder to be manufactured hereunder shall be as follows:

(1) For water-dried powder for cannon of a web thickness of 0.060 of an inch or less, the base price shall be 44½¢ per pound.

Illustration of the change in cost of raw materials: Should the cost of nitrate of soda used in the manufacture of powder be 3.1175¢ per pound instead of 4.1175¢ per pound, and the quantity required be 1.65 pounds of nitrate of soda per pound of powder produced therefrom, then the above base price of 44½¢ per pound would be reduced by 1.65¢ per pound to 42.85¢ per pound.

(2) For water-dried powder for cannon of a web thickness greater than 0.060 of an inch, the base price shall be 45½¢ per pound.

(3) For water-dried "regular" military small-arms powder, the base price shall be 52½¢ per pound.

(4) For water-dried "improved" military small-arms powder, the base price shall be 56½¢ per pound.

(5) For air-dried powder for cannon, the base price shall be 45½¢ per pound.

ARTICLE V

(a) The United States shall advance and pay to the contractor thirteen (13) cents per pound on the total estimated production of 145,800,000 pounds of powder. The total of such advance payments will be eighteen million nine hundred and fifty-four thousand ($18,954,000) dollars, to be made as follows:

On May 15, 1918	$6, 318, 000
On September 15, 1918	6, 318, 000
On December 15, 1918	6, 318, 000

The contractor shall not be required to pay interest on the sums so advanced, and any interest that may be received by the contractor on the money advanced shall be credited to the Government as money advanced. Said advances shall be secured as and when made by bonds or other security satisfactory to the contracting officer.

(b) As and when each lot of 50,000 pounds or more of powder is placed in dry house, the United States shall pay to the contractor twenty-two (22) cents per pound in addition to the advance payment of thirteen (13) cents per pound provided in paragraph (a) of this article.

(c) As and when any lot of powder has been accepted and delivered, bills therefor shall be presented to the United States by the contractor, in which the United States shall be charged with:

(1) The actual cost per pound of powder as ascertained under paragraph (a) of article IV hereof;

(2) Three and one-half (3½) cents per pound for each and every pound of powder, as fixed in paragraph (c) of article IV hereof;

(3) One-half of the difference, if any, between the actual cost per pound of powder, as ascertained under paragraph (a) of article IV hereof, and the price per pound of powder, as determined under paragraphs (d) and (e) of article; and the United States shall be credit with;

(4) The amounts per pound of powder theretofore paid to the contractor by the United States under paragraphs (a) and (b) of this article.

Upon presentation of satisfactory evidence of the correctness of such bills, the United States shall promptly pay the balance to the contractor.

ARTICLE VI

The contractor shall operate the sections of the plant, as and when severally completed, until such times as the aggregate operation of the completed sections shall be equal to the operation of one section for fifty-four (54) consecutive months. It is estimated that the full capacity of each section will be approximately 2,700,000 pounds of powder per month, and that the operation of one section for fifty-four (54) consecutive months will produce approximately 145,800,000 pounds of powder. Said estimate, however, shall not be considered as a limitation of the amount of powder to be produced. If there shall be produced more than 145,800,000 pounds, the contractor shall be paid for all powder in excess of said amount upon the same terms and conditions as apply to said amount of 145,800,000 pounds.

In the case of water-dried powder the period of operation shall begin for each section when the first lot of 50,000 pounds or more of powder therefrom is packed. In the case of air-dried powder the period of operation shall begin for each section when the first lot of 50,000 pounds or more of powder therefrom is placed in the dry house.

If, after operating the plant, or any part thereof, to an extent equivalent to the operation of one section for fifty-four (54) consecutive months, the amount of powder produced shall be 145,800,000 pounds or more, then the contractor shall cease operating the plant, unless the United States shall exercise the option referred to in article VII hereof. If, after so operating the plant, the amount of powder produced shall be less than 145,800,000 pounds, then the contractor shall continue to operate the plant until said amount shall have been produced.

When the operation of the plant shall cease, or upon termination or cancelation of this contract under article XV, the United States shall reimburse the contractor for all costs and expenses of every character and description incurred or made in, or connected with, the construction, equipment, or operation of the plant, or any part thereof, including the cost of all labor, freight, and all apparatus and materials purchased, whether delivered or undelivered, in connection with the construction and equipment of the plant or the operation or contemplated operation thereof; all obligations of the contractor incurred hereunder, outstanding at the date of such cessation or termination or which may thereafter arise, shall be assumed by the United States and the United States shall save harmless the contractor in respect of any liability whatsoever in connection therewith. At the option of the United States, the contractor shall assign or transfer to the United States, or its nominee, all contracts then outstanding entered into by the contractor hereunder.

Should this contract cease or be terminated after the manufacture of powder has begun, the contractor shall be paid by the United States in addition to all costs and expenses incurred to the date of such cessation or termination, the sums provided in paragraphs (c), (d), and (e) of article IV hereof, for all finished powder produced to the date of such termination, and also for all other powder, whether air or water dried, that is in process of drying or further state of completion. If there shall remain due the United States from the contractor any sum theretofore advanced by the United States, after all reimbursements and payments outlined in this article have been made, such sums shall be promptly returned by the contractor to the United States.

ARTICLE VII

When the plant, or any part thereof, shall have been operated to an extent equivalent to the operation of one section for fifty-four (54) consecutive months and 145,800,000 pounds or more of powder have been produced, the United States, upon notice to the contractor (given at least three months prior to the time when the plant will have been operated to such extent) shall have the option from time to time of requiring the contractor to continue to operate the plant for additional periods of at least three months each, upon the same terms and conditions as those provided in article IV and V hereof.

ARTICLE VIII

Powder for cannon shall be manufactured in accordance with the provisions of part II (manufacture, inspection, and test) of Pamphlet No. 450, as last revised, entitled "Instructions to Bidders and Specifications Governing the Manufacture, Test, and Inspection of Smokeless Powder for Cannon," and "regular" military small-arms powder shall be manufactured in accordance with the provisions of part III (special specifications and tests) of Pamphlet No. 451, as last revised, entitled "Instructions to Bidders and Specifications Governing the Manufacture, Test and Inspection of Smokeless Powder for Small Arms", issued by the Ordnance Department, United States Army. Both of said parts of said pamphlets are hereby made a part of this contract with like effect as if herein set out in full.

The contracting officer may from time to time make changes in the specifications governing the manufacture of smokeless powder, provided he shall give the contractor due and timely notice of such changes. If such changes require a substantial amount of additional work, labor, or materials, a fair addition shall be made to the pertinent base price or prices specified in paragraph (e) of article IV hereof, but if such changes involve a substantially smaller amount of work, labor, or materials, a fair deduction shall be made therefrom, all as shall be determined by the contracting officer. No claim for addition or deduction on account of any such change shall be made or allowed unless the same has been ordered in writing by the contracting officer.

The United States shall advise the contractor as to the granulations of powder to be manufactured, as follows:

(a) In the case of guns for which the contractor has previously manufactured satisfactory powder, at least sixty days' notice shall be given prior to the manufacture of powder:

(b) In other cases, ample notice and opportunity shall be given to enable the contractor to make a satisfactory granulation test before beginning manufacture.

ARTICLE IX

The contractor shall keep complete records as to all construction and operating expenses, all of which records shall at all times be open to the inspection of the United States or its duly authorized representatives. The United States may examine all work as it progresses and shall audit all accounts, but in such a manner as not to interfere with the contractor proceeding with the construction and operation in any manner and by any means that in its judgment will best produce the desired results under this contract.

ARTICLE X

To facilitate prompt payments to the contractor, the United States shall detail paymasters at the plant and at the contractor's home office. Any payments by the United States shall be subject to correction for errors, if any.

ARTICLE XI

The title to all parts of the plant and to all materials, including powder, shall vest in the United States simultaneously with any payment on account thereof by the United States.

ARTICLE XII

The contractor shall fabricate in the box factories connected with the plant all boxes required for packing powder. The United States shall remove from the plant site the finished powder as fast as it is submitted, tested, and accepted, it being understood that the contractor has not made any provision for storehouses in which to store powder after it has been accepted by the United States. If the United States requires storage facilities for finished powder, the contractor shall erect storehouses for such purposes on the plant site, if there shall be adequate space thereon, and if not, then upon land immediately adjoining the plant site, if available. The United States shall, exclusive of any profit, reimburse the contractor for all costs and expenses incurred or made in connection with any of the work described in this article.

Delivery of the powder shall be made, as may from time to time be directed by the contracting officer, either f. o. b. cars at the point of manufacture or in storehouses erected in accordance with the provisions of this article. All powder so delivered shall thereafter be in the custody of the United States.

ARTICLE XIII

The contractor is authorized to procure liability insurance protecting it against ny and all loss due to claims on the part of employees or the public, and to charge l premiums therefor as part of the cost of construction and operation.

ARTICLE XIV

The contractor is not required to place any fire or other insurance in respect of any work or materials involved in this contract. The United States shall hold and save harmless the contractor from all loss by accident, fire, flood, explosion, or otherwise, arising or growing out of the construction or operation of the plant.

For the purpose of determining the cost of production, no loss due to accident, fire, flood, explosion, or otherwise, arising or growing out of the operation of the plant, shall be charged to the cost of operation, but in lieu thereof $0.004 per pound of powder shall be charged to the cost of operation.

ARTICLE XV

This contract may be terminated and canceled by the United States (1) at any time before the manufacture of powder has begun, and (2) after the manufacture of powder has begun the contract may be then canceled, because the need for the plant or the output thereof has ceased to exist, or because of the willful violation of this contract by the contractor.

ARTICLE XVI

In case the contractor is prevented from performing any work, or delivering any powder hereunder, by reason of causes beyond its control or by reason of inability to obtain essential materials to be used in the construction of the plant or in the manufacture of powder, or by reason of labor shortage or labor troubles, the contractor shall be excused from performing work or delivering powder while prevented from so doing by any one or more of the causes aforesaid, but this contract shall, as to the work, materials, and powder affected thereby, but not otherwise, be suspended during the time such cause for delay is present, and all such work shall be performed and the powder delivered as soon as practicable after such disability is removed, all subject to the provisions of article XV.

ARTICLE XVII

This contract shall not, nor shall any right to receive payment or any other interest therein, be transferred or assigned by the contractor to any person, firm, or corporation without the written consent of the Secretary of War: Provided, however, the contractor shall, unless otherwise directed by the contracting officer, insert in every contract hereafter made for construction work, increased facilities, labor, material, supplies, and the like, or otherwise relating to the performance of this contract, a provision that such contract may be assigned by the contractor.

ARTICLE XVIII

If any doubts or disputes shall arise as to the meaning of anything in this contract, they shall be referred to the Chief of Ordnance for determination. If, however, the contractor shall feel aggrieved at any decision of the Chief of Ordnance upon such reference, he shall have the right to submit the same to the Secretary of War, whose decision shall be final.

ARTICLE XIX

The contractor shall furnish to the United States within ten days after the execution of this contract a bond in the sum of $20,000,000, conditioned upon the full and faithful performance by the contractor of all terms, covenants, and conditions thereof. Such bond shall be in form and with sureties satisfactory to the contracting officer. Unless such bond is furnished within the time limited, this agreement may, at the option of the contracting officer, be canceled.

ARTICLE XX

No Member of or Delegate to Congress or Resident Commissioner, nor any person belonging to or employed in the military service of the United States, is or shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom, but this article shall not apply to this contract so far as it may be within the operation or exception of section 116 of the act of Congress approved March 4, 1909 (35 Stat., 1109).

ARTICLE XXI

No person or persons shall be employed in the performance of this contract who are undergoing sentences of imprisonment at hard labor which have been imposed by the courts of the several States, Territories, or municipalities having criminal jurisdiction.

ARTICLE XXII

Any notice addressed to the contractor at Du Pont Building, Wilmington, Delaware, and either there delivered or deposited in a post-paid wrapper in any post-office box regularly maintained by the United States, shall be deemed to have been served upon the contractor. The address of the contractor may be changed at any time by notice in writing to the contracting officer. Nothing herein contained shall preclude service of notices upon the contractor by delivery thereof to any of its officers in person.

ARTICLE XXIII

Wherever the term "Contracting officer" is used in this contract the same shall be construed to mean his successor or successors, his duly authorized agent or agents, or anyone designated by the Chief of Ordnance, from time to time, to act as contracting officer.

ARTICLE XXIV

This contract shall supersede, cancel and terminate the contract of January 29, 1918, between Du Pont Engineering Company and the United States, by which said company was authorized to act as agent of the United States in the construction and operation of the plant aforesaid; Provided, however, That such cancellation and termination shall not in any way affect any of the subcontracts, obligations or commitments which the Du Pont Engineering Company, as agent, has heretofore in good faith entered into, made or incurred under said contract of January 29, 1918; Provided also, That such cancellation and termination shall not affect the right, title or interest of the United States to or in any work heretofore done or property heretofore purchased under said contract for which the United States may have paid or for which it may have become obligated in any manner, or to which it was entitled under said contract at the date hereof; but on the contrary each and every such right and interest of the United States is hereby confirmed.

In witness whereof the parties hereto have caused these presents to be executed and delivered (in sextuplicate) at Washington, D. C., the day and year first above written.

Du Pont Engineering Company,
By E. G. Buckner, *Vice Pres.*

Wm. S. Gregg.

United States of America,
By Samuel McRoberts,
Col. Ord. N. A., Contracting Officer.

W. S. Clark.

Approved.

Benedict Crowell,
Acting Secretary of War.

These supplemental articles of agreement entered into this 2nd day of November 1918 between the Du Pont Engineering Company, a corporation organized and existing under the laws of the State of Delaware, and having its principal place of business in Wilmington, Delaware (hereinafter called the "Contractor"), party of the first part, and the United States of America, acting through and represented by R. P. Lamont, Colonel, Ordnance Department, United States Army (hereinafter called the "Contracting officer"), acting by the direction of the Chief of Ordnance, United States Army, and under authority of the Secretary of War, party of the second part.

Witness:

Whereas the parties hereto entered into a contract, dated March 23, 1918 (War Order P4755–711E) for the construction and operation of a plant near Nashville, Tennessee, for the manufacture of smokeless powder; and

Whereas the said parties desire to amend and supplement said contract, dated March 23, 1918, in the interest of the United States, as hereinafter set forth, so as to provide and allow for an increase in the estimated total cost of the plant aforesaid over and above the amount stated in said contract, dated March 23, 1918; and

Whereas the estimated cost of said plant in said contract, dated March 23, 1918, is $75,000,000.00; and

Whereas the contracting officer has satisfied himself that the estimated total cost of said plant should be in the sum of $90,000,000.00.

Now, therefore, under the laws of the United States in such cases made and provided, and in consideration of the mutual agreements herein contained, the said parties have agreed and by these presents do agree with each other, as follows:

ARTICLE I

That the provision of article I of said contract, dated March 23, 1918, which reads—

> "It is estimated that the total cost of the work aforesaid will be approximately seventy-five million ($75,000,000) dollars."

be and the same is hereby amended so as to read—

> "It is estimated that the total cost of the work aforesaid will be approximately ninety million ($90,000,000) dollars."

ARTICLE II

Paragraph (c) of article II of said contract, dated March 23, 1918, which reads—

> "Whenever seventy-five (75) percent of the total estimated cost of the plant has been paid to the contractor, in addition to the advance payment mentioned in paragraph (a) of this article then no additional payments on account of said construction work shall be made to the contractor by the United States until said advance payment of $18,750,000 is expended; provided, however, that if the total cost thereof shall be in excess of the amounts paid to the contractor, including said advance payment, then the United States shall, upon presentation of satisfactory evidence, reimburse the contractor to the extent of such excess cost, and if upon the completion of the plant there shall remain due the United States from the contractor any unused sums theretofore advanced by the United States in respect of the

> construction work aforesaid, the same shall be promptly returned to the United States."

be and the same is hereby amended so as to read—

> "Whenever seventy-one million, two hundred and fifty thousand ($71,250,000) dollars, of the total estimated cost of the plant has been paid to the contractor, in addition to the advance payment mentioned in paragraph (a) of this article, then no additional payments on account of said construction work shall be made to the contractor by the United States until said advance payment of eighteen million, seven hundred and fifty thousand ($18,750,000) dollars, is expended; provided, however, that if the total cost thereof shall be in excess of the amounts paid to the contractor, including said advance payment, then the United States shall, upon presentation of satisfactory evidence, reimburse the contractor to the extent of such excess cost, and if upon the completion of the plant there shall remain due the United States from the contractor any unused sums theretofore advanced by the United States in respect of the construction work aforesaid, the same shall be promptly returned to the United States."

ARTICLE III

Each and every other provision, recital, and covenant of said contract, dated March 23, 1918, shall remain in full force, virtue and effect.

In witness whereof the parties hereto have caused this agreement to be executed (in triplicate) by their respective officers, duly authorized, the day and year first above written.

Du Pont Engineering Company,
Contractor.
(*W. S. G.*)
By Wm. Coyne, *Vice President.*
United States of America,
By R. P. Lamont, *Colonel, Ord. Dept.,*
United States Army, Contracting Officer.

E. I. du Pont de Nemours and Company hereby consents to the provisions contained in the foregoing agreement, executed this 2nd day of November, 1918, at Washington, D. C.

E. I. du Pont de Nemours & Co.,
By Wm. Coyne, *Vice President.*
(*W. S. G.*)

[War-Ord-P4755-71E]

Du Pont Engineering Company and United States of America Ordnance Department, United States Army

AGREEMENT SUPPLEMENTAL TO CONTRACT DATED MARCH 23, 1917, BETWEEN THE SAME PARTIES IN RELATION TO CONSTRUCTION AND OPERATION OF A POWDER PLANT AT NASHVILLE, TENNESSEE

Dated April 1, 1918

This supplemental contract made this 1st day of April 1918, by and between du Pont Engineering Company (a corporation organized under the laws of the State of Delaware, hereinafter called the "contractor"), party of the first part, and the United States of America, by Samuel McRoberts, colonel, Ordnance Department, United States National Army (hereinafter called the "contracting officer"), acting by and under the authority of the Chief of Ordnance, United States Army, and under the direction of the Secretary of War, party of the second part, witnesseth:

Whereas it is provided in article 13 of the contract between the parties hereto, dated March 23, 1918, covering the construction and operation of a Government smokeless powder plant at or near Nashville, Tennessee, that the contractor is authorized to procure liability insurance protecting it against any and all loss due to claims on the part of employees or the public, and to charge all premiums therefor as part of the cost of construction and operation; and

Whereas under the law of Tennessee an employer is liable to his employees in work accident cases according to the common-law doctrine of liability for negligence, and

Whereas the parties hereto mutually agree that works accidents can be more humanely and economically handled by the voluntary payment of compensation in all works accident cases occurring during the construction and operation of said plant according to the plan and schedule of compensation hereinafter set forth.

Therefore the parties hereto agree that in lieu of procuring liability insurance as provided in said article 13, the contractor, in performing said contract, will pay compensation as hereinafter provided for the disability or death of an employee resulting from a personal injury caused by accidents rising out of and in the course of his employment, without regard to negligence, but no compensation will be paid if the injury or death is caused by the wilful misconduct of the employee including intentional self-inflicted injury or due to intoxication or wilful failure or refusal to use a safety appliance or the wilful breach of any rule or regulation adopted by the employer and brought prior to the accident to the knowledge of the employee. Compensation will be paid according to the following schedule:

1. *Medical and surgical aid.*—For a period not to exceed 30 days after the accident, the contractor will furnish or cause to be furnished, free of charge to the injured employee, such necessary medical attention as the nature of his injuries may require, and during the whole or any part of the remainder of his disability resulting from the injury, the employer may, at his own option, continue to furnish or cause to be furnished, free of charge to the employee, an attending physician, and in addition such surgical and hospital services and supplies as may be deemed necessary by said attending physician.

2. *Waiting period.*—No compensation will be allowed for the first fourteen calendar days of incapacity resulting from an injury, except the benefits provided for in section 1 above, but if incapacity extends beyond that period compensation shall commence with the fifteenth day of disability.

3. *Permanent total incapacity.*—Where the incapacity for work resulting from the injury is total the contractor will pay or cause to be paid, as hereinafter provided, to the injured employee during such total incapacity compensation equal to one-half his average weekly wages but not more than $10.00 nor less than $5.00 a week, and in no case shall the period covered by such compensation be greater than 500 weeks, nor shall the total amount of all compensation exceed $4,000.00.

4. *Permanent partial incapacity.*—Except as otherwise provided in the next section where the incapacity for work resulting from the injury is partial, the contractor will pay, or cause to be paid, as hereinafter provided, to the injured employee during such incapacity compensation equal to one-half the difference between his average weekly wages before the injury and the average weekly wages which he is able to earn thereafter, but not more than $10.00 a week, and in no case shall the period covered by such compensation be greater than 300 weeks from the date of the injury. In case the partial incapacity begins after a period of total incapacity the latter period shall be deducted from the maximum period herein allowed for partial incapacity.

5. *Specific payments for specific injuries.*—In cases included by the following schedule the incapacity in each case shall be deemed to continue for the period specified and the compensation so paid for such injury shall be as specified therein and shall be in lieu of all other compensation, to wit:

(*a*) For the loss of a thumb, fifty per centum of the average weekly wages during sixty weeks.

(*b*) For the loss of a first finger, commonly called the index finger, fifty per centum of the average weekly wages during thirty-five weeks.

(*c*) For the loss of a second finger, fifty per centum of average weekly wages during thirty weeks.

(*d*) For the loss of a third finger, fifty per centum of average weekly wages during twenty weeks.

(*e*) For the loss of a fourth finger, commonly called the little finger, fifty per centum of average weekly wages during fifteen weeks.

(*f*) The loss of the first phalange of the thumb or any finger shall be considered to be equal to the loss of one-half of such thumb or finger, and the compensation shall be for one-half of the periods of time above specified.

(*g*) The loss of more than one phalange shall be considered the loss of the entire finger or thumb; provided, however, that in no case shall the amount received for more than one finger exceed the amount provided in this schedule for the loss of a hand.

(*h*) For the loss of a great toe fifty per centum of the average weekly wages during thirty weeks.

(*j*) For the loss of one of the toes other than a great toe, fifty per centum of average weekly wages during ten weeks.

(*k*) The loss of the first, phalange of any toe shall be considered to be equal to the loss of one-half of such toe, and the compensation shall be for one-half of the periods of time above specified.

(*l*) The loss of more than one phalange shall be considered as the loss of the entire toe.

(*m*) For the loss of a hand, fifty per centum of the average weekly wages during one hundred and fifty weeks.

(*n*) For the loss of an arm, fifty per centum of average weekly wages during two hundred weeks.

(*o*) For the loss of a foot, fifty per centum of average weekly wages during one hundred and twenty-five weeks.

(*p*) For the loss of a leg, fifty per centum of average weekly wages during one hundred and seventy-five weeks.

(*q*) For the loss of an eye, fifty per centum of average weekly wages during one hundred weeks.

(*r*) The loss of both hands, or both arms, or both feet, or both legs, or both eyes, or any two thereof, shall constitute total and permanent incapacity, to be compensated according to the provisions of section three.

The compensation payments referred to in this section shall in no case be more than $10.00 per week nor less than $5.00 per week.

6. *Compensation to dependents in death cases.*—If death results from the accident the contractor will pay or cause to be paid in the manner hereinafter provided to the dependents of the employee wholly dependent upon his earnings for support at the time of the accident, compensation equal to one-half the average weekly wages, but not more than $10.00 nor less than $5.00 a week, for a period of 300 weeks from the date of the injury, and burial expenses not exceeding $200.00. If the employee leaves dependents only partially dependent upon his earnings for support at the time of the injury the compensation to be paid shall equal the same proportion of the weekly payments for the benefit of persons wholly dependent as the amount contributed by the employee to such partial dependents bears to the annual earnings of the deceased at the time of his injury. If the employee does not leave dependents, citizens of and residing at the time of the accident in the United States or the Dominion of Canada, the amount of compensation will not in any such case exceed $1,000.00.

7. *In case of no dependents.*—If the deceased employee leaves no dependents the employer will pay the burial expenses of the deceased not exceeding $200.00.

8. *Maximum amount.*—The total compensation in no case shall exceed $4,000.00.

9. *Lump-sum payment.*—Compensation in all cases will be computed on the above basis, but at the option of the contractor may in all cases be paid in a lump sum equal to the present value of all future payments when discounted at 5 percent simple interest.

The contractor is authorized to charge the amount of compensation paid in accordance with the above plan to the cost of construction or operation, as the case may be, together with all the expenses incident to the administration of said plan, and the United States will reimburse the contractor for all amounts so paid in the manner provided in said contract for reimbursing the contractor for expenditures made on account of the construction or operation of said plant.

It is further agreed that in case any employee, or the personal representative or dependent relative of a deceased employee, declines to accept the compensation prescribed by said plan and asserts claim for personal injuries or death on account of the negligence of the contractor, its agents and servants by suit at law or otherwise, the contractor is authorized to compromise, adjust or litigate such claim as it deems best, and to charge to the United States the amount so paid to compromise, adjust, or litigate such claim, together with all costs, fees, and disbursements paid or incurred by the contractor in connection therewith, and the United States will reimburse the contractor for all such amounts, fees, and costs so paid in the manner provided in said contract for reimbursing the contractor for disbursements made in connection with the construction and/or operation of said plant.

As and when requested by the contracting officer the contractor shall furnish to the contracting officer copies of pleadings and in any and all suits brought against the contractor to recover damages of whatsoever kind arising or growing out of the construction and/or operation of said plant, and the United States shall have a right, if it desires so to do, to have a representative present at the trial of any such action.

In witness whereof the parties hereto have caused these presents to be executed and delivered in sextuplicate at Washington, D. C., the day and year first above written.

Du Pont Engineering Company,
By ——— ———.
——— ———.

United States of America,
By ——— ———.
Contracting Officer.

Witnesses:
——— ———.
——— ———.

[ORDER NO. WAR-ORD-P4755-711E]

Du Pont Engineering Company and United States of America. Ordnance Department U. S. Army. Second Supplemental Contract, July 10th, 1918

These supplemental articles of agreement, entered into this 10th day of July 1918, between the Du Pont Engineering Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware , and having its principal place of business in the city of Wilmington, State of Delaware (hereinafter called the Contractor), party of the first part, and the United States of America, by Samuel McRoberts, colonel Ordnance Department, National Army, acting by direction of the Chief of Ordnance, United States Army, and under the authority of the Secretary of War, party of the second part: Witness:

Whereas the parties hereto entered into an agreement dated March 23, 1918, for the construction of a powder plant at or near Nashville, Tennessee, supplemented by a first supplemental agreement, dated April 1, 1918; and

Whereas the acquisition of land for a gun range for testing powder and for storage facilities is necessary for the successful operation of said plant; and

Whereas a tract of land near said plant containing approximately 533.36 acres can be purchased for the sum of sixty-one thousand fifty and no-100ths dollars ($61,050.00), which is the reasonable value thereof and said land is in all respects suitable and adequate for such gun range and storage facilities, and it is in the interest of the United States to supplement and amend the original contract so as to provide for the acquisition of said land:

Now, therefore, under the laws of the United States, in such cases made and provided, and in consideration of the mutual agreements herein contained, the said parties have agreed, and by these presents do agree, to and with each other, as follows:

Article I. The contractor is hereby authorized and directed by the United States, and agrees to purchase for the sum of not to exceed sixty-one thousand fifty and no-100ths dollars ($61,050.00), that certain tract of land located near Nashville, Tennessee, and near the powder plant, the construction and operation of which is provided for in the original contract, known as the John Donelson tract, containing approximately 533.36 acres. The contractor shall obtain a deed of general warranty conveying the title to said land to the United States, in fee simple, free and clear of all liens and encumbrances whatsoever. The contractor shall also secure an abstract and opinion of title satisfactory to the Chief of Ordnance. The United States will reimburse the contractor for the cost of the said land as herein authorized.

Article II. All other provisions of the agreement dated March 23, 1918, as amended and supplemented by a first supplemental agreement dated April 1, 1918, shall remain in full force and effect.

In witness whereof, the parties hereto have caused this contract to be executed under their seals and by its duly authorized officers, the day and year above written.

Signatures:

du Pont Engineering Company, *Contractor.*
By ——— ———.

Witnesses:
——— ———.
——— ———.

United States of America,
By Samuel Mc Roberts,
Colonel, Ordnance, N. A.,
Contracting Officer.
By ——— ———,
Lt. Colonel, Ord., N. A.

The undersigned hereby consents to the execution of the above supplemental contract, amending and supplementing the agreements dated March 23, 1918, and April 1, 1918.

Attest:

——— ———.
——— ———.
——— ———.
——— ———.

Exhibit No. 1169

Summary No. 1

Recapitulation of status statements, du Pont Engineering Company, U.S. Government contracts, September 1, 1925

	Old Hickory		Penniman	
	Schedule no. 1, construction	Schedule no. 2, operation	Schedule no. 3, construction	Schedule no. 4, operation
CREDITS				
Advances by United States	$18, 875, 000. 00	$18, 951, 000. 00	$1, 591, 829. 87	$713, 800. 00
Reimbursements by United States	66, 098, 324. 04	6, 466, 181. 48	10, 600, 449. 20	2, 760, 728. 44
Total	84, 973, 324. 04	25, 420, 181. 48	12, 192, 279. 07	3, 474, 528. 44
Interest on bank deposits	240, 213. 05	171, 430. 00	27, 901. 41	10, 187. 64
Interest from other sources		15, 486. 43		
Unclaimed wages	111, 502. 67	38, 104. 77	7, 436. 78	5, 481. 22
Gross credits to United States	85, 325, 039. 76	25, 645, 202. 68	12, 227, 617. 26	3, 490, 197. 30
Refunds to United States	(R) 917, 584. 52	1, 297, 064. 06 (R)	255, 692. 00 (R)	
Reallocation of Government funds	(R) 500, 000. 00			240, 000. 00
Net amount to be accounted for	83, 907, 455. 24	24, 348, 138. 62	11, 971, 925. 26	3, 730, 197. 30
DEBITS				
Net cost	83, 827, 219. 45	24, 322, 689. 12	11, 952, 437. 36	3, 713, 162. 66
Balance due United States	80, 235. 79	25, 449. 50	19, 487. 90	17, 034. 64
Cost (net)	83, 827, 219. 45	24, 322, 689. 12	11, 952, 437. 36	3, 713, 162. 66
Approved charges and charges accrued after May 31, 1922, allowable as per War Dept. decisions (reaudit)	83, 725, 614. 12	24, 254, 863. 02	11, 931, 118. 93	3, 707, 596. 67
SUSPENSE				
Disallowed items	101, 605. 33	67, 826. 10	21, 318. 43	5, 565. 99

Recapitulation of status statements, du Pont Engineering Company, U.S. Government contracts, September 1, 1925—Continued

	Schedule no. 5, Tullytown	Schedule no. 6, Seven Pines	Schedule no. 7, Ives	Total
CREDITS				
Advances by United States	$500, 000. 00	$500, 000. 00	$4. 200, 000. 00	$45, 334, 629. 87
Reimbursements by United States	1, 191, 297. 22	621, 709. 98		87, 738, 690. 36
Total	1, 691, 297. 22	1, 121, 709. 98	4, 200, 000. 00	133, 073, 320. 23
Interest on bank deposits	2, 984. 70	4, 901. 87	102, 340. 13	559, 958. 80
Interest from other sources				15, 486. 43
Unclaimed wages	1, 782. 65	2, 676. 24	1, 192. 93	168, 177. 26
Gross credits to United States	1, 696, 064. 57	1, 129, 288. 09	4, 303, 533. 06	133, 816, 942. 72
Refunds to United States			1, 658, 100. 77 (R)	4, 128, 441. 35 (R)
Reallocation of Government funds	130, 000. 00	130, 000. 00		
Net amount to be accounted for	1, 826, 064. 57	1, 259, 288. 09	2, 645, 432. 29	129, 688, 501. 37
DEBITS				
Net cost	1, 825, 425. 61	1, 251, 251. 93	2, 643, 040. 12	129, 535, 226. 25
Balance due United States	638. 96	8, 036. 16	2, 392. 17	153, 275. 12
Cost (net)	1, 825, 425. 61	1, 251, 251. 93	2, 643, 040. 12	129, 535, 226. 25
Approved charges and charges accrued after May 31, 1922, allowable as per War Dept. decisions (reaudit)	1, 825, 182. 07	1, 251, 541. 68	2, 640, 324. 74	129, 336, 241. 23
SUSPENSE				
Disallowed items	243. 54	(R) 289. 75	2, 715. 38	198, 985. 02

Comparative statement of accounts Du Pont Engineering Co.

[du Pont Engineering Company books—Sept. 1, 1925, U. S. Government accounts May 31, 1922]

	9/1/25 summary #1, Du Pont Engr. Co., all contracts	5/31/22 summary #2, U. S. Govt., all contracts	Summary #3, differences, all contracts
CREDITS			
Advances by United States	45, 334, 629. 87	45, 334, 629. 87	
Reimbursements by United States	87, 738, 690. 36	87, 739, 986. 18	1, 295. 82 (R)
Total	133, 073, 320. 23	133, 074, 616. 05	1, 295. 82 (R)
Interest on bank deposits	559, 958. 80	499, 968. 31	59, 990. 49
Interest from other sources	15, 486. 43	15, 486. 43	
Unclaimed wages	168, 177. 26	168, 246. 08	68. 82 (R)
Gross credits to United States	133, 816, 942. 72	133, 758, 316. 87	58, 625. 85
Refunds to United States	4, 128, 441. 35 (R)	3, 324, 497. 77 (R)	803, 943. 58 (R)
Reallocations of Govt. funds			
Net amount to be accounted for	129, 688, 501. 37	130, 433, 819. 10	745, 317. 73 (R)
DEBITS			
Net cost	129, 535, 226. 25	129, 645, 999. 56	110, 773. 31 (R)
Balance due United States	153, 275. 12	787, 819. 54	634, 544. 42 (R)
Cost (net)	129, 535, 226. 25	129, 645, 999. 56	110, 773. 31 (R)
Approved charges and charges accrued after May 31, 1922, allowable as per War Dept. decisions (reaudit)	129, 336. 241. 23	129, 284, 051. 36	52, 189. 87
Suspense (disallowed items)	198, 985. 02	361, 948. 20	162, 963. 18 (R)
Balance due U. S., Sept. 1, 1925	153, 275. 12		
Suspense, Sept. 1, 1925	198, 985. 02		
Total Government claim	352, 260. 14		

Exhibit No. 1170

STATEMENT SHOWING GROSS AND NET PROFITS REALIZED BY DU PONT ENGINEERING COMPANY ON CONTRACTS WITH THE U. S. GOVERNMENT DURING THE WORLD WAR

The contracts involve the construction and operation of the Old Hickory powder plant at Old Hickory, Tennessee; construction and operation of the loading plant for shells and casings at Penniman, Virginia; the operation of bag loading plants at Tullytown, Pennsylvania, and Seven Pines, Virginia, and the construction of a T. N. T. plant at Ives, Wisconsin.

Old Hickory construction	$1.00	
Old Hickory operation	1,961,560.68	
Penniman construction	1.00	
Penniman operation	399,848.57	
Tullytown	188,991.40	
Seven Pines	120,422.16	
Total gross profit		$2,670,824.81
Less Federal income and/or excess profits taxes paid:		
1918	$417,135.61	
1919	1,621,557.47	
		2,038,693.08
Total		632,131.73
Less stock bonus awards to employees which were entirely borne by E. I. du Pont de Nemours and Company		193,194.18
Total net profit		438,937.55

STOCK BONUSES AWARDED BY E. I. DU PONT DE NEMOURS AND COMPANY TO EMPLOYEES OF DU PONT ENGINEERING COMPANY FOR SERVICES RENDERED IN CONNECTION WITH THE OPERATION OF THE OLD HICKORY POWDER PLANT, OLD HICKORY, TENN., AND PENNIMAN SHELL LOADING PLANT, PENNIMAN, VA.

Cost to E. I. du Pont de Nemours and Company of stock awarded:	
Old Hickory powder plant	$167,366.72
Penniman shell loading plant	25,827.46
Total	193,194.18

The cost of this stock was borne solely by E. I. du Pont de Nemours and Company, and no portion whatsoever was charged to the U. S. Government.

EXTRA COMPENSATION PAID BY DU PONT ENGINEERING COMPANY, AND WHICH WAS BORNE BY THE GOVERNMENT, TO CERTAIN OF ITS EMPLOYEES ENGAGED IN THE WORK OF CONSTRUCTION OF THE FOLLOWING PLANTS: OLD HICKORY POWDER PLANT, OLD HICKORY, TENNESSEE; PENNIMAN SHELL LOADING PLANT, PENNIMAN, VIRGINIA; AND VIES T. N. T. PLANT, RACINE, WISCONSIN

Old Hickory	$151,355.00
Penniman	47,647.00
Ives	648.00

This expense was charged to the Government contracts as follows:

Old Hickory construction	$151,355.00
Penniman construction	47,647.00
Ives construction	648.00
Total	199,650.00

Exhibit No. 1171[1]

STATEMENT SHOWING GROSS AND NET PROFITS REALIZED BY DU PONT ENGINEERING COMPANY OF CONTRACTS WITH THE U. S. GOVERNMENT DURING THE WORLD WAR

The contracts involve the construction and operation of the Old Hickory powder plant at Old Hickory, Tennessee; construction and operation of the loading plant for shells and casings at Penniman, Virginia; the operation of bag loading plants at Tullytown, Pennsylvania, and Seven Pines, Virginia, and the construction of a T. N. T. plant at Ives, Wisconsin.

Net taxable income, year 1918 (as per Government agent's report)		$518, 164. 58
Net taxable income, year 1919 (as per Government agent's report)		2, 031, 163. 49
Total net taxable income, years 1918 and 1919		2, 549, 328. 07
Deduct commercial profits, year 1919		98, 142. 19
		2, 451, 185. 88
Income and profits taxes paid for—		
Year 1918	$417, 135. 61	
Year 1919	1, 603, 557. 47	
	2, 020, 693. 08	
Less tax applying to commercial profits (above shown)	44, 047. 63	
		1, 976, 645. 45
		474, 540. 43
Less stock bonus awards to employees which were entirely borne by E. I. du Pont de Nemours and Company		193, 194. 18
Total net profit		281, 346. 25

Exhibit No. 1172

December 10, 1934.

Lt. Col. P. J. O'Shaughnessy, U. S. A., retired.,
707 Escobar Ave., Coral Gables, Fla.

Dear Colonel O'Shaughnessy: We have been supplied by the War Department with a copy of a memorandum prepared by you on April 4, 1932, concerning certain criticisms of the then form of adjusted-compensation contract by the Bridgeport ordnance district. At page 8 of this memorandum the following statement appears:

"During the World War we had to audit every cost-plus contract. I know of only one which was not audited currently; after the war we spent nearly seven years auditing and investigating that contract. It cost the Government upwards of $1,250,000. Had the auditing been done currently, it would have saved the Government a very great deal of money."

Will you please inform the committee of the contract to which you referred? We would appreciate an immediate reply by telegram collect.

Yours very truly,

Stephen Raushenbush, *Secretary.*

AH:cvp

[Telegram]

Miami, Fla.,
December 14, 1934.

Steven Raushenbush,
Secretary Special Committee Investigating the Munitions Industry,
United States Senate:

Retel letter tenth my reference was to Du Pont Engineering Company contract for construction and operation of the Old Hickory powder plant at Nashville, Tennessee. After the war all of the expenditures on this contract, both for construction and operation, were audited by the War Department, the Department of Justice, and these aduits were approved by the Comptroller General before making settlement. The investigation lasted over several years. The figures given as cost of audit is only an estimate.

P. J. O'Shaughnessy.

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[1] Substituted for "Exhibit No. 1170", see text, p. 3235.

EXHIBIT No. 1173

REPLY OF DU PONT ENGINEERING COMPANY TO CERTAIN INQUIRIES PROPOUNDED BY THE WAR TRANSACTIONS SECTION, DEPARTMENT OF JUSTICE, WITH RESPECT TO CERTAIN CONTRACTS BETWEEN DU PONT ENGINEERING COMPANY AND THE UNITED STATES [1] [2]

A copy of the inquiries propounded is hereto attached, marked "Exhibit 1", and the inquiries are directed more particularly to the contracts entered into between the Du Pont Engineering Company and the United States, and the subcontracts thereunder, for the construction and operation of the Old Hickory smokeless powder plant, near Nashville, Tennessee. However, during the late war the Du Pont Engineering Company entered into contracts with the United States for the construction and/or operation of five plants for the United States, and in our replies to the inquiries propounded it is necessary in some instances to make reference to all of such plants.

The following are the Contractor's replies to the inquiries propounded.

"IN THE MATTER OF GENERAL INQUIRY"

Question: "1. Has Du Pont Engineering Company a complete and accurate system of accounting of—(a) Construction project, (b) Operations. Is such now available for examination by the United States?"

Answer: (a) "*Construction project.*"—The Du Pont Engineering Company has a complete and accurate record of its expenditures in connection with all construction projects. The system for accumulated expenditures on the general ledger relating to construction was in accordance with plans mutually discussed between representatives of the contractor and the contracting officer, and was adopted with the approval of the contracting officer. The card of accounts attached hereto, exhibit 2, adopted in connection with the Old Hickory construction accounting, will illustrate the subdivision of construction cost used in the contractor's ledgers. An intricate system for keeping separately the cost of units was not adopted, inasmuch as the Government did not consider such record necessary, and desired to save the expense of the additional accountants which would have been required to keep such records. The postings on the general ledgers are supported by properly approved vouchers.

(b) "*Operations.*"—The operating ledgers were handled in a somewhat similar manner. The controlling account for operating cost, however, was not subdivided as in the case of the construction ledgers. Each month's operating cost was posted in total to the controlling account. The detail costs were kept by a separate division which prepared monthly cost sheets showing the total and unit costs of manufactured products, and also the total and unit cost of semifinished products in the several stages of manufacture. These cost sheets were prepared monthly throughout the duration of field operations.

The ledgers and books of the contractor and all supplementary records pertaining thereto, including the accounts payable vouchers, except such vouchers as were not returned by the War Department accountants, are filed in the Wilmington office of the contractor.

Question: "2. What are contractor's views on a joint audit of: (a) Mason & Hanger expenditures, (b) operating expenses as determining costs in relation to manufacturing bonus claimed."

Answer: "(a) *Mason & Hanger expenditures.*"—All invoices paid to Mason & Hanger by the contractor, all Mason & Hanger pay rolls and all shop orders for materials drawn from stocks of the contractor by Mason & Hanger, were carefully audited at the plant by representatives of the contractor and by the War Department auditing staff. These bills and vouchers were subjected to a second audit by the War Department's contracting officer in Wilmington, and were approved by him. During the reaudit begun in October 1919, by the Philadelphia District Claims Board, Mason & Hanger expenditures were again subjected to a thorough audit.

"(b) *Operating expenses as determining costs in relation to manufacturing bonus claimed.*"—Operating costs and expenditures in connection with all of the operating projects undertaken by the contractor were audited in detail throughout the progress of field operations, both in the field and at Wilmington, and were later reaudited by the auditors of the War Department. Mr. W. G. Kileen, supervising accountant for the War Department, prepared statements showing the result of his audit in checking contractor's operating costs, compensation and savings, and these statements, together with other data relating to the audit, were delivered by Mr. Kileen to the War Department.

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[1] Exhibits attached to this brief are in the committee files.

[2] Text of this brief is contained in hearings before a subcommittee on ordnance of the General War Transactions Board under date of Dec. 5, 1923. (See appendix, pp. 3364.)

It would therefore appear to be a waste of time and money to make any further audit of the Mason & Hanger account, in view of the fact that several hundred thousands of dollars have already been expended at the expense of the Government during the period of construction and operation, and during the period of the reaudit which continued until the end of May 1922. The contractor cannot acquiesce in the expenditure of any more public funds in a further reaudit of either the Mason & Hanger expenditures or expenditures by the contractor. If the Government expends any more public funds in connection with a further reaudit of the Mason & Hanger expenditures or of the contractor's expenditures, the Government must assume the sole responsibility for pursuing such course.

Question: "3. Has contractor ever rendered a complete statement of account to United States? May we have copy of its statement?

Answer: Throughout the progress of field operations, the contractor's books, trial balance sheets, accounts receivable and accounts payable records, etc., were checked and inspected by representatives of the contracting officer of the War Department, condensed statements were issued monthly, and cash statements daily, copies of which were delivered to the contracting officer. Following cessation of field operations, the contracting officer was furnished by the contractor with a condensed financial statement monthly for approximately one year. The contractor then discontinued sending in such statement at the request of the contracting officer. Subsequently such statements were renewed upon the request of the contracting officer whenever they were requested by the contracting officer. Attached hereto, marked "Exhibit 3", is a condensed financial statement showing the status of the contractor's accounts with the United States as of October 31, 1923. This statement represents the actual condition of the contractor's books as of that date, and is supported by the contractor's books of account and vouchers.

Question: "4. Will contractor furnish a summary of items disallowed by United States, and accepted by du Pont? This should include a summary of disallowances already vouchered upon which there should be a refund or credit due the United States."

Answer: Disallowances by the War Department auditors during the progress of the audit and accepted conditionally by the contractor, are as follows:

Old Hickory construction	$9, 039. 92
Old Hickory operation	66, 096. 94
Penniman construction	13, 747. 66
Penniman operation	7, 735. 27
Tullytown	[4] 1, 471. 29
Seven Pines	$7, 283. 76
Ives	973. 61
Total	103, 405. 87

A detail of these suspensions, with voucher references, can be furnished if desired.

By the use of the word "conditionally" is meant that the contractor accepted the above disallowance for the purpose of facilitating settlement and with the understanding with the War Department representatives that if settlement of the contracts was not made, such disallowances would be charged to the contracts.

Question: "5. What amount does contractor at this time admit is due United States?"

Answer: The amount due the United States as of October 31, 1923, as shown by the books of the contractor was $958,602.07. So long as the contracts remain unsettled, this account is subject to reduction on account of any expenditures which may be necessary in connection with the contracts. This amount is kept in separate bank accounts and all bank interest accruing thereon is credited periodically to the United States. The contractor has frequently urged the Government during the past two or three years to make final settlement of the contracts so that any balance remaining in the hands of the contractor at the time of such settlement could be returned to the United States.

Question: "6. Will contractor furnish a statement of operations with such an analysis by way of schedules to show generally (1) the description of charges entering into operations from which the basis for the bonus for saving was determined, and (2) profits on operations from inception of operating period to the end of operations?"

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[4] Credit item.

Answer. Statements as described above were prepared by Mr. W. G. Kileen, supervising accountant for the War Department, and were delivered by him to the War Department.

(1) "*The description of charges entering into operations from which the basis for the bonus for saving was determined.*"—Exhibit 4 hereto is a complete to date cost sheet dated as of May 31, 1922, which was checked and approved by War Department auditors, and a summary of the charges, exhibit 5, on which "saving profit" was based. In this connection Mr. Kileen computed a profit of $55,892.28 less than the profits calculated by the contractor, which amount was suspended by the War Department auditors, but inasmuch as it is the contractor's view that the profits as indicated by exhibit 5 hereto are correct, this difference is still in dispute and has not been refunded to the contract.

(2) "*Profits on operations from inception of operating period to the end of operations.*"—Exhibit 5 hereto contains the answer to this question relating to the Old Hickory contract. In this connection statements of costs and profits prepared by Mr. Kileen, supervising accountant of the War Department, were delivered by him to the War Department.

Question: "7. Will contractor furnish a statement of costs of construction and equipment with such an analysis by way of schedules to show the costs by respective units of the whole?"

Answer: As explained in answer to question 1, contractor is unable to furnish a statement of costs by units, but a statement, exhibit 6, is hereto attached, showing cost of construction as subdivided on the contractor's ledgers for each contract.

"IN THE MATTER OF SPECIFIC ITEMS OF INQUIRY"

1. "*Mason & Hanger transaction*"—

Question: "1. What were Du Pont's dealings with Mason & Hanger previous to this contract?"

Answer: The only dealings between the Du Pont Company and Mason & Hanger previous to the subcontracts at Old Hickory consisted in the purchase by Mason & Hanger Company of explosives from E. I. du Pont de Nemours & Company, just the same as the Du Pont Company sold explosives to other contractors throughout the country.

Question: "2. Who negotiated contract between Du Pont and Mason & Hanger?"

Answer: The contracts were negotiated, on the part of the Du Pont Engineering Company, by H. M. Pierce, then chief engineer of E. I. du Pont de Nemours & Company, now president of Du Pont Engineering Company, and by John L. Pratt, then special assistant to Chief Engineer H. M. Pierce, and now vice president and director of General Motors Corporation; and on the part of the Mason & Hanger Company, by Silas Mason and H. B. Hanger.

Question: "3. Have Du Ponts any stock in Mason & Hanger?"

Answer: Neither E. I. du Pont de Nemours & Company nor Du Pont Engineering Company, nor any of their subsidiaries, nor any of their officers, has any stock of other financial interest in Mason & Hanger Company.

Question: "4. Who does own majority of Mason & Hanger stock?"

Answer: After this question was propounded, we have been informed that over 90% of the stock of the Mason & Hanger Company is owned jointly by Silas Mason, H. B. Hanger, and John G. Watts.

Question: "5. Explain circumstances of concern now rated at $400,000 to $500,000 capital, with class B credit rating in a town of 5,662 population receiving a contract totalling $21,511,175.80 on which they were paid a fee of $1,075,558.79? (R. G. Dunn 1923 listing.) ($1,075,558.79—$250,000—$825,558.79.)"

Answer: The contractor's answer and position with respect to this matter is fully set forth in a brief filed by the contractor with the Secretary of War on November 22, 1922, which was referred by the Secretary of War with other papers to the Attorney General in December 1922 with request for opinion. The reasons for making the subcontract with the Mason & Hanger Company, and the fee contracted to be paid thereunder, are stated in the brief above referred to, a copy of which is herewith submitted, marked "Exhibit 7."

Question: "6. What are the intercorporate relations of Du Pont and Mason & Hanger?"

Answer: This question is answered by the replies to questions 1 and 3 above, under heading "In the matter of specific items of inquiry", and no other corporate relations exist.

Question: "7. Was the du Pont official who negotiated the Mason & Hanger contract aware of the maximum fee of $250,000 in War Department regulations? Is it not a fact that Mason & Hanger had other government contracts with regulation scale of fees?"

Answer: The Du Pont officials who negotiated the Mason & Hanger contracts were not aware of a maximum fee of $250,000 fixed by War Department regulations to be paid to subcontractors, as they did not then have any information or knowledge of a War Department regulation or regulations fixing a maximum fee of $250,000 to subcontractors, nor has the contractor ever been furnished with any such regulation or regulations, nor was the contractor ever instructed by any representative of the Government to limit the fees to be paid to subcontractors, nor was the contractor confined to any such limit under its contracts with the United States.

A copy of the agency contract, dated January 29, 1918, between the Du Pont Engineering Company and the United States for the construction and operation of the Old Hickory Plant; a copy of the contract of March 23, 1918, between Du Pont Engineering Company and the United States, which canceled and superseded the contract aforesaid of January 29, 1918; a copy of the contract of February 6, 1918, between Du Pont Engineering Company and the Mason & Hanger Company, and a copy of the contract of March 23, 1918, between the Du Pont Engineering Company and the Mason & Hanger Company, which canceled and superseded the contract aforesaid of February 6, 1918, are attached to and made a part of the brief filed by the Du Pont Engineering Company with the Secretary of War on November 22, 1922, which is hereto attached, marked "Exhibit 7."

"Is it not a fact that Mason & Hanger had other Government contracts with regulation scale of fees?"

Answer: The Government is in a better position to obtain this information than the Du Pont Engineering Company.

Question: "8. What check was kept on Mason & Hanger expenditures?"

Answer: The answer to this question is covered in our answer to question 2 under heading "General inquiries".

Question: "9. Did they not buy from Du Pont subsidiaries? Was this an agreed arrangement?"

Answer: It is possible that Mason & Hanger in their work at Old Hickory may have made some minor purchases from Du Pont subsidiaries, but Mason & Hanger invoices were not classified in accordance with the names of the vendors from whom they made purchases, and in order to ascertain from whom Mason & Hanger purchased their various materials, it would be necessary to make a complete analysis of all of the subvouchers attached to their invoices. There was certainly no agreed arrangement that the Mason & Hanger Company should purchase from Du Pont subsidiaries.

Question: "10. What was the necessity for agreeing to an unlimited 5% fee, obviously excessive when regulations called for a maximum of $250,000?"

Answer: We have no knowledge of any War Department regulations calling for a maximum fee of $250,000 to subcontractors, nor do we consider the 5% fee paid to Mason & Hanger excessive under the conditions which then existed. The contractor's position with respect to this matter is set forth in exhibit 7 hereto.

2. "*Bonuses paid to employees*"—

Question: "1. Will contractor furnish a complete statement of all bonuses paid to employees for any cause?"

Answer: All of the contracts between DuPont Engineering Company and the United States, for the construction of Government plants, contained provisions with respect to the payment of extra compensation for materials or services, the said provisions being as follows:

"In order that the contractor may expedite the work of construction, it may in its discretion, from time to time, pay extra compensation for materials or services, subject, however, to the approval of the contracting officer, which extra compensation shall be charged to the cost of construction."

In March 1921 Major Farr, then an attorney on the War Department Claims Board, rendered an opinion to the effect that the extra compensation paid by the contractor to its employees should not be allowed. Thereupon the contractor took an appeal from Major Farr's decision, and filed a brief in support of its view that the extra compensation the contractor had paid to certain of its employees was allowable. A copy of the contractor's brief is herewith submitted, marked "Exhibit 8", and sets forth the reasons for paying the extra compensation and the contractor's position with respect thereto. On November 19, 1921, Colonel H. M. Morrow, vice chairman of the War Department Claims Board, overruled

Major Farr's opinion, and held that the extra compensation paid by the contractor to certain of its employees should be allowed. It may be here stated that the contractor complied fully with the provisions of its contracts with the United States before paying the extra compensation, as is shown in its brief filed with the War Department Claims Board and attached hereto, marked "Exhibit 8."

A statement showing the total extra compensation paid by the contractor on account of construction of Government plants is hereto attached, marked "Exhibit 9."

A statement giving the names of the contractor's employees, the positions occupied by them, their location, and the amount of extra compensation paid to each, is hereto attached, marked "Exhibit 10."

A statement listing the names and monthly salaries of the contractor's employees who were paid extra compensation is hereto attached, marked "Exhibit 11."

Question: 2. What payments were made to employees of E. I. du Pont de Nemours & Company over and above "salaries and traveling expenses"?

Answer: For a number of years E. I. du Pont de Nemours & Company has awarded bonuses to its employees for meritorious services performed, such bonuses being usually paid in common or preferred stock of the company.

A list of employees who were awarded stock bonuses by E. I. du Pont de Nemours & Company on account of meritorious services in connection with the operation of the Old Hickory smokeless powder plant and Penniman shell loading plant—both Government plants—is hereto attached, marked "Exhibit 12."

It should be borne in mind that no part of the extra compensation or bonuses awarded to operating employees at Old Hickory or Penniman was paid from Government funds, but the expense thereof was assumed in its entirety by E. I. du Pont de Nemours & Company.

In order that the extra compensation paid by Du Pont Engineering Company in cash to certain of its employees in connection with the construction of Government plants, which was charged to the Government, may be compared with the extra compensation or bonuses paid in stock by E. I. du Pont de Nemours & Company during the same year, on the basis of its cost to the company, we attach hereto a tabulation, marked "Exhibit 13", which was prepared and furnished to the Government in 1919.

3. "*Subsidiaries*"—

Question: 1. Was it not the rule to purchase materials from Du Pont subsidiaries? Was this not profitable to E. I. du Pont de Nemours & Company?

Answer: There was no rule relating to the purchase of materials from du Pont subsidiaries. Cotton linters and hull shavings were purchased directly from or through E. I. du Pont de Nemours & Company or its subsidiary, Du Pont American Industries, Inc. The cost of shavings and linters purchased for use at Old Hickory was approximately $4,580,000. No profit resulted to E. I. du Pont de Nemours & Company or Du Pont American Industries, Inc., through the purchase of linters and shavings.

Certain special machinery and equipment were purchased by Du Pont Engineering Company from E. I. du Pont de Nemours & Company, aggregating in value approximately $7,342,926.03, under an arrangement approved by the contracting officer for the United States, which provided that E. I. du Pont de Nemours & Company was to receive a profit of 10% above cost. See exhibit 14 hereto attached. However, E. I. du Pont de Nemours & Company voluntarily waived its rights to the 10% profit, and settled with Du Pont Engineering Company on a basis of cost in which was included the amortization of special facilities, purchased for producing such machinery and equipment. The total amount of profit waived by E. I. du Pont de Nemours & Company in connection with this matter was $734,292.60, while the total charges for amortizing facilties was $475,338.99, or a saving to the United States of $258,953.61.

Automobiles manufactured by the General Motors Corporation and its subsidiaries were purchased from dealers in the vicinity of the several plants operated by the contractor. Such purchases, however, were the result of expediency and on account of the fact that the class of car in question was suitable to the contractor's requirements, and deliveries could be made promptly.

The indirect profits accruing to E. I. du Pont de Nemours & Company through its stock ownership in the General Motors Corporation, on account of automobiles purchased by the Du Pont Engineering Company, were intangible and insignificant.

For use at the Old Hickory powder plant, 54 Ford cars were purchased by Du Pont Engineering Company from the Hippodrome Motor Company and Blackwood Tire Company, and 41 Chevrolet cars were purchased from the Broadway Motor Company, which serves to illustrate that the contractor did not show any preference for cars manufactured by companies in which E. I. du Pont de Nemours & Company was interested.

The contractor purchased its principal supply of paints and paint ingredients from the Harrison branch of E. I. du Pont de Nemours & Company, although a considerable quantity was bought from competitive manufacturers and vendors who dealt in competitive brands. Purchases of paint, pigments, lead, etc., were made from E. I. du Pont de Nemours & Company on account of the fact that by reason of the relationship between E. I. du Pont de Nemours & Company and the contractor, pressure could be exerted to insure priority in deliveries, and paints could thus be obtained when needed without delays. Preference was not given to E. I. du Pont de Nemours & Company for the purpose of increasing its profits, inasmuch as the demand for such commodities throughout the war period was in excess of the supply, and a ready market was available for all the commercial products then manufactured by E. I. du Pont de Nemours & Company and its branches. Paints purchased from the Harrison works were invoiced to the contractor at the market price. No profit accrued to E. I. du Pont de Nemours & Company on account of paint sales to the contractor, as the Du Pont Company's paint business resulted in a deficit for the year 1918.

Question: 2. Was purchase noncompetitive?

Answer: Purchases in quantity, with the exception of materials specifically contracted for and emergency procurements, were usually made after securing competitive bids with a view to obtaining such materials at the lowest price consistent with quality and the assurance of delivery.

Question: 3. Was there any check on materials or prices by Du Pont? Explain system.

Answer: The invoice prices for materials shipped for account of the Du Pont Engineering Company were checked and compared with orders by the contractor's staff, and also by the accountants employed by the United States working under the direction of the contracting officer of the War Department. Materials received at the plant were checked and verified by the contractor's representatives and by United States Government resident stores inspectors.

The following plan for making, checking, and recording disbursements and keeping a record of the contractor's business, approved by the representatives of the United States in charge at the time, was modeled on a system which had been followed by E. I. du Pont de Nemours & Company and found by experience to be satisfactory:

Certain proficient employees were appointed to direct and supervise the work of the several departments. Whenever the procurement of material or equipment was necessary, requisitions were issued by the departments responsible and forwarded to the purchasing agent in Wilmington, unless the need was sufficiently urgent to necessitate ordering direct by telegraph or otherwise. In all cases requisitions were sent to the purchasing agent for record. Orders for materials specified in such requisitions were issued by the purchasing department, and numbered in series, copies being sent, respectively, to the vendors, plants, and accounting department, one being retained by the purchasing department for comparison with the vendors' invoices.

Vendors were required to show the order number on the face of each invoice for identification. Each invoice, after receipt at the home office, was compared with the orders and checked as to terms, quantity, and price by the purchasing department, and then forwarded to the plant which issued the requisition, where certification was made as to receipt of material, and the approval of the plant representative affixed; and then returned to the home office at Wilmington. Vouchers were then approved by the departmental director responsible for such expenditures, and the charge distribution was noted thereon, after which the accounting department functioned, checking extensions, recording, and issuing checks in payment therefor.

When vouchers had been audited, recorded, approved and paid by representatives of the contractor they were transmitted to the contracting officer of the United States, who checked and vertified the expenditures until satisfied that the requirements of the contracts had been fulfilled. He then indicated his approval on each voucher and forwarded all vouchers applicable to construction projects to the disbursing officer, who recorded the approved expenditures on public vouchers, and issued instructions for the contractor's reimbursement.

While vouchers applicable to the operating projects were checked and approved in the manner described above, the contractor was reimbursed as provided by the several contracts with respect to operation.

4. *Cotton linters.*—

Question: 1. Explain excessive prices above maximum contract rates.

Answer: Assuming that question 1 refers to cotton hull shavings, which at the time of purchase were at a price in excess of the contract limit, the transaction is explained as follows:

An audit was made of the cotton hull shavings purchased by Du Pont Engineering Company by the contracting officer, representing the War Department, resulting in disallowance by the contracting officer, based on the statement that the contractor had purchased cotton hull shavings at a price in excess of the limits established by the contract. The contractor then prepared a statement showing the purchases of cotton hull shavings, exhibiting that the total amount paid, including freight to Nashville, was in excess of the contract limitation in the amount of $42,354.98, or based on rates in effect as of the date of the contract between Du Pont Engineering Company and the Government, an excess of $29,952.85. See statement hereto attached, marked "exhibit 15."

In article IV, paragraph (d), of the Old Hickory contract, it is stated:

"All materials for construction or operation upon which prices have been fixed by the United States shall be purchased by the contractor at the prices so fixed, and where the price of any of the raw materials named in the above schedule has not been fixed by the Government they shall not be purchased by the contractor at prices more than 20 percent higher than those specified above, except with the approval of the contracting officer."

The above allowed a maximum price for shavings of 5.064 cents per pound, delivered at Nashville.

The contractor states that in lieu of entering the market as a direct purchaser of shavings, it arranged for E. I. du Pont de Nemours & Company to purchase the shavings required for Old Hickory, for the reason that E. I. du Pont de Nemours & Company was already a large purchaser.

It was soon found that shavings could not be bought within this price limit and by letter of June 26, 1918, here quoted, the contractor was authorized to pay 25% in excess of the base price of 4.22 cents, or a total of 5.275 cents per pound for shavings, delivered at Nashville.

[In replying refer to No. War Ord. 4755-711E Sym. PR file P$\frac{471.867}{1287}$. HEV/avl

War Department,
Procurement Division,
Office of the Chief of Ordnance,
Sixth & B Streets NW.,
Washington, June 26, 1918.

E. I. du Pont de Nemours & Co.,
Wilmington, Del.

(Attention Mr. A. C. Price, Assist. to Director.)

Gentlemen:

Subject: Contract price on cotton shavings.

1. This will acknowledge you letter of May 23, 1918 (our file P 471.867/1052), your file A. C. P., requesting that you be authorized to pay in excess of the 20% increase over the 4.22¢ price on cottonseed-hull shavings specified in contract P 4755–711 E, between the Ordnance Department and the du Pont Engineering Company for the operation of the Government smokeless plant at Nashville, Tenn.

2. This letter is for the purpose of authorizing you to pay for cottonseed-hull shavings a price not more than 25% in advance of the 4.22¢ price mentioned in contract.

3. This is in accordance with conversation between the officers of this division and your Mr. Price and your vice president, Mr. Connable.

Respectfully,

Procurement Division,
Samuel McRoberts,
Col., Ord. N. A.
By (s) Chas. N. Black,
(Chas. N. Black),
Lt. Col., Ord. N. A.

The contractor states that it was not realized for some time that the above letter and the contract itself made the price of 5.275 cents include delivery at Nashville, and shavings were purchased within the price limit of 5.275 cents per pound, f. o. b. point of production.

The contractor states that under date of October 18, 1918, the Ordnance Department was requested to authorize an increase in the maximum price limit for hull fibre or shavings, this request being in the form of a letter, below quoted:

E. I. du Pont de Nemours & Co.,
October 18, 1918.

Major W. H. Gelshenen,
Procurement Division, Ordnance Department,
Sixth and B Sts., NW., Washington, D. C.

Dear Sir: Confirming our conversation this morning regarding hull fibre and recommendations, that—

1. We declare our policy.
2. Indicate a price we can pay for fibre.
3. Establish this policy and price upon as firm a foundation as possible, all factors considered.

We repeat and confirm our expressed view that this price should be 5¼ cents per pound, f. o. b. point of production.

We give below the estimated cost of producing fibre in large quantities at varying hull prices starting at $20.00 per ton down to and including $10.00 hulls:

Hulls at $20.00 per ton fibre cost $7.14 per lb.
Hulls at $19.00 per ton fibre cost $6.94 per lb.
Hulls at $18.00 per ton fibre cost $6.69 per lb.
Hulls at $17.00 per ton fibre cost $6.44 per lb.
Hulls at $16.00 per ton fibre cost $6.19 per lb.
Hulls at $15.00 per ton fibre cost $5.94 per lb.
Hulls at $14.00 per ton fibre cost $5.69 per lb.
Hulls at $13.00 per ton fibre cost $5.44 per lb.
Hulls at $12.00 per ton fibre cost $5.19 per lb.
Hulls at $11.00 per ton fibre cost $4.94 per lb.
Hulls at $10.00 per ton fibre cost $4.69 per lb.

Since the price recommended is an increase over the price limit specified in contract existing between the Government and the du Pont Company, it is necessary that we secure your approval before contracting for fibre requirements.

Therefore, upon receipt of letter containing your approval, we shall proceed to buy.

Our plan will be to advise those experienced in, at present engaged in, and equipped to make acceptable fibre, without new construction or increased plant equipment, that we are ready to negotiate fibre contracts for a limited tonnage at a price of 5¼ cents per pound, f. o. b. point of production, fibre to be made under enclosed specifications, deliveries to be shown by months up to but not beyond June 1, 1919.

Very truly yours,

(s) F. L. Connable, *Vice President.*

FLC–ins

There being no reply, contractor repeated the request in follow-up letter of October 31, 1918, herewith quoted.

October 31, 1918.

Major W. H. Gelshenen,
Ordnance Department Procurement Division,
6th & B Sts., NW., Washington, D. C.

Dear Sir: You have not yet advised us in writing of the authority to pay 5¼¢ for fibre. As the contract specifications limit to .0467¢ f. o. b. points of production, our records, to be complete, should have your written authority to pay 5¼ figure.

We advised you that certain purchases had already been made covering monthly deliveries up to August 1st, 1919. Is it your desire to have on file a record of these purchases as made with the sellers, naming the quantities? If so, we shall promptly supply this information.

Yours very truly,

(s) F. L. Connable, *Vice President.*

FLC–c

It will be noted that the contractor's letter of October 31, 1918, refers to the price limit named in the contract as .0467 cents but requests authority to pay

5¼ cents for fibre. The limit of .0467 is the unit price named in the contract for linters and the contractor contends that the following letter from the War Department, dated November 5, 1918, erroneously refers to linters and that this letter was intended to refer to hull fibre or shavings:

War Department,
Office of the Chief of Ordnance, Procurement Division,
Washington, November 5, 1918.

[To insure prompt attention in replying refer to P No. 471.857/1730. Attention of Major W. H. Gelshenen WGH/ah]

E. I. du Pont de Nemours & Company,
Wilmington, Delaware.
(Attention of Mr. Frank S. Connable.)
Subject: Cotton linters.

Gentlemen: 1. The Chief of Ordnance instructs me to authorize you that under the circumstances of the shortage of the crop in cotton linters you may advance the limit agreed upon for the purchase of fibre from .0467 cents f. o. b. points of production to .0525 same terms and conditions.

2. The second paragraph in your letter of October 31st is noted, and it is felt that it would be better policy to spread the present orders over a greater number of producers and confine purchases to the next four or five months rather than to tie up with one or two purchasers for a long period. In this way the commitments of the Department at any one time will not be as heavy.

Respectfully,

(s) W. H. Gelshenen,
(W. H. Gelshenen),
Major, Ord. Dept. U. S. A.

The contractor states that the average cost of all shavings purchased was 5.5939 cents per pound delivered at Nashville.

The contractor further states that to the best of its knowledge, the United States did not directly fix the price of shavings, but did indirectly fix it through the act of the Food Administration in naming a price of $20.00 per ton for cotton hulls, which was equivalent to a price of 7.14 cents per pound for shavings at point of production.

The contractor contends that it purchased shavings at the lowest obtainable price and in particular at less cost than the price for shavings corresponding to the Food Administration's price for hulls; and further, had the Ordnance Department been requested earlier to authorize an increased price, the authorization would have been given, as hull shavings had to be obtained. And this conclusion is justified by the approval which was given by the Ordnance Department on November 5, 1918, to pay 5.25 cents per pound f. o. b. point of production.

The amount involved, viz, $42,354.98, was allowed by the Assistant Secretary of War under date of April 5, 1922, by the following decision:

"1. Freight on shavings being a claim for $45,572.27 by reason of a payment by the contractor of prices for cotton shavings in excess of prices stipulated in article IV of the contract, allowed."

It will be observed that the amount allowed by the Assistant Secretary was $45,572.27, but the actual amount as it finally checked out was $42,354.98.

Question: "2. Was this cotton bought from Du Pont?"

Answer: When the Du Pont Engineering Company on account of its Old Hickory operations became a prospective purchaser of shavings, it was decided that it would be unwise to enter the market as an additional competitor which might have had a tendency to cause sellers to increase prices, inasmuch as the demand at this time for cotton hull shavings was in excess of the supply. It was, therefore, mutually agreed that E. I. du Pont de Nemours & Company would buy not only for its own requirements, but arrange to purchase such shavings as might be required by the Du Pont Engineering Company. Shavings for Old Hickory, as well as shavings for the plants of the parent company, were ordered in accordance with a requirement schedule which was revised from month to month, or oftener if necessary.

The purchasing department of E. I. du Pont de Nemours & Company purchased millions of pounds of shavings, but such purchases were not made specifically for any plant or contract, but whenever shavings were required by E. I. du Pont de Nemours & Company or by Du Pont Engineering Company, shipments were ordered by the purchasing department. Therefore, question 2 may be answered by stating that cotton hull shavings purchased in connection with the Old

Hickory operations were procured through the agency of E. I. du Pont de Nemours & Company and bills were rendered by E. I. du Pont de Nemours & Company for such purchases to the contractor.

Question: "3. Was there ever a readjustment on books of this excessive price and was credit allowed United States?"

Answer: This question apparently applies to the excess payment on hull shavings indicated in question 1 and on this assumption the contractor states that the $42,354.98 was not refunded inasmuch as the Assistant Secretary of War, as explained in the answer to question 1, held this disbursement proper under the circumstances.

The contractor purchased, utilized, and disposed of hull shavings in connection with the Old Hickory operation as follows:

Purchases:		
E. I. du Pont de Nemours & Company		#25, 011, 348
Distribution:		
Used in manufacture	#10, 930, 835	
Destroyed by fire and paid for by transportation company	#98, 686	
Adjustment (short)	#84, 625	
Transferred to the U. S. as per inventory at the close of operation	#13, 897, 202	
		#25, 011, 348

A refund was made to the United States on account of charges made by E. I. du Pont de Nemours & Company in excess of cost in connection with the purchase of cotton hull shavings in the amount of $150,497.77. The history of that transaction is as follows:

E. I. du Pont de Nemours & Company purchased for the account of Du Pont Engineering Company, during the progress of operations at Old Hickory, 25,011,348 lbs. of cotton hull shavings as per statement attached hereto, exhibit 16. The purchase of shavings was made under the direction of Mr. F. L. Connable vice president of E. I. du Pont de Nemours & Company, who was then in charge of the purchase of shavings. Purchases of shavings were made under contracts which contained adjustment clauses, and by direction of Mr. Connable bills were rendered to the Du Pont Engineering Company at 5¾¢ per lb., subject to later adjustment, and such bills were paid by the Du Pont Engineering Company, with the understanding that the prices would be adjusted later. Early in 1919 a written report was addressed to Mr. Connable by a subordinate which indicated approximately the actual cost of the shavings shipped to the Old Hickory plant and the approximate amount of refund due the Du Pont Engineering Company. Mr. Connable, however, was ill at this time, and the adjustment was overlooked, and for this reason a refund to the Du Pont Engineering Company was not made until the matter was brought to the attention of the contractor by Major Guise in a letter dated November 8, 1920, whereupon the adjustment was made.

The contractor purchased, utilized, and disposed of cotton linters in connection with the Old Hickory operation as follows:

	Pounds
Purchases:	
Du Pont American Industries	43, 020, 382
E. I. du Pont de Nemours & Co	13, 894, 538
	56, 914, 920
Distribution:	
Used in manufacture	25, 090, 576
Less adjustment	162, 212
	24, 928, 364
Transferred to United States as per inventory at close of of operations	31, 986, 556
	56, 914, 920

A charge aggregating $157,976.03 was made by E. I. du Pont de Nemours & Company in excess of the fixed price established by the War Industries Board in connection with cotton linters purchased and delivered to Du Pont Engineering Company. See exhibit 17 attached hereto. This overcharge was refunded to the Du Pont Engineering Company and the funds deposited in bank to the credit of the Old Hickory contract.

Linters purchased from E. I. du Pont de Nemours & Company were billed to Du Pont Engineering Company at 5¾¢ per lb., subject to the understanding that this price would subsequently be adjusted when the actual cost of such linters was determined. However, on account of the illness of Mr. Connable, vice president in charge of cotton linters, and his retirement from actual participation in business, the adjustments were overlooked and the linters purchased from the E. I. du Pont de Nemours & Company were entered on the contractor's books and paid for at the price of 5¾¢ per lb. Adjustment was later made, and the excess refunded, as stated above.

Question: "4. Why were forty-seven carloads of cotton of a value of $83,000 shipped from Hopewell, a Du Pont plant,to Old Hickory on February 15, 1919?"

Answer: Through an error on the part of the consignors, the Buckeye Cotton Oil Company of Cincinnati, Ohio, 45 cars containing shavings ordered for the Old Hickory powder plant were shipped and delivered to E. I. du Pont de Nemours & Company, at Hopewell, Virginia, and when this error was discovered the linters were reconsigned to the Old Hickory Plant. This error in shipment delayed the deliveries at Old Hickory until February 1919.

The latter part of 1918 an order was placed with the Buckeye Cotton Oil Commany of Cincinnati, Ohio, for November delivery of shavings at the Old Hickory powder plant, but through a misunderstanding on the part of the Buckeye Cotton Oil Company, they were consigned to E. I. du Pont de Nemours & Company at Hopewell, Virginia. As soon as this error was detected, the Buckeye Cotton Oil Company was notified to stop further shipments to Hopewell and arrange for the diversion of all cars en route. Prior to the latter part of 1918 the cotton hull shavings purchased for Old Hickory were furnished by the East St. Louis Cotton Oil Company, but on account of their inability to supply shavings in the latter part of 1918, arrangements were made with the Buckeye Cotton Oil Company to furnish these shavings. The Buckeye Company had been shipping to Hopewell, Virginia, regularly and had theretofore never shipped any shavings to Old Hickory. This accounted for the misunderstanding of the shipping directions. The Buckeye Company admitted the error and absorbed the difference in freight charges. In other words, the Government only paid freight charges from originating points to Old Hickory; the excess freight charges resulting from the shipment into Hopewell and from Hopewell to Old Hickory were borne by the Buckeye Cotton Oil Company.

It may be here stated that had these shavings been retained at the Hopewell plant, they would have been delivered to and charged to the United States in the inventory of materials on hand at the Hopewell plant at the close of operations there. So that any inference that the Du Pont Company was trying to unload shavings at the expense of the Government is without justification. The shavings that were shipped from Hopewell to Old Hickory were purchased for use at Old Hickory on Du Pont engineering requisition GOH–2128, copy of which is hereto attached, marked "Exhibit 18."

Question: "5. Explain this transaction."

Answer: See answer to question 4 above.

Question: "6. Excess on cotton shavings of $42,354.98. Was this refunded?"

Answer: See answer to question 1.

Question: "7. Explain weights from Du Pont American Industries of 1,000 lbs. to 2,468 lbs. per bale, on cotton linters, so charged to United States. (See Agent Towles' report)."

"The following is a list of apparent overweights charged in shipments of cotton linters to the Old Hickory powder plant, as evidenced by documents in the possession of investigators for the Department of Justice:

Car D. L. & W. no. 34250 from Hopewell, Va. 2/20/19, 45 bales weighing 59,980, average 1,332 pounds to bale.

Car N. Y. C. no. 236165 from Hopewell, Va. 2/22/19. 51 bales weighing 76,144, average 1,492 pounds to bale.

Car R. F. & P. no. 2203, from Mangum, Okla. 11/7/18. 40 bales weighing 98,749, average 2,468 pounds to bale.

Car. M. K. T. no. 94333 from Dallas, Texas. 10/16/18. 24 bales weighing 24,000 pounds, average 1,000 pounds per bale.

All of the above from Du Pont American Industries."

Answer: No standard package weight for linters or shavings has been established or recognized by dealers in these commodities and bales vary considerably in weight. The avoirdupois pound is the unit on which trading is based and the public weigher or warehouse weight certificates are usually accepted by both sellers and buyers.

Agent Towles' report, supplementary to your question, is apparently based on incorrect information, inasmuch as the following errors are apparent:

The first two cars mentioned by him were not obtained through the Du Pont American Industries, but from E. I. du Pont de Nemours & Company, and contained cotton hull shavings and not linters. The other two cars did contain cotton linters and were billed by Du Pont American Industries.

The shipments were as follows:

D. L. & W. car no. 34250, from Hopewell, Va., February 20, 1919, billed by E. I. du Pont de Nemours & Company—no. 3205 (1919)—contained 45 bales of cotton hull shavings, 29,980 lbs., which is an average weight per bale of 666 lbs. (See bill of lading, exhibit 19, attached hereto.)

N. Y. C. car no. 236155 from Hopewell, Va., February 22, 1919, billed by E. I. du Pont de Nemours & Company—no. 3254 (1919)—contained 51 bales of cotton hull shavings weighing 31,760 lbs., which is an average per bale of 662 lbs. (See bill of lading, exhibit 20, attached hereto.)

R. F. & P. car no. 2203 from Magnum, Okla., November 7, 1918, billed by Du Pont American Industries—no. 110457 (1918)—contained 39 bales of cotton linters weighing 18,749 lbs., which is an average of 431 lbs. per bale. (See weight sheet, exhibit 21 attached hereto.)

M. K. & T. car no. 94333 from Dallas, Texas, October 16, 1918, billed by Du Pont American Industries—no. 100571 (1918)—contained 23 bales, weighing 13,789 lbs., which is an average per bale of 600 lbs. (See weight sheet, exhibit 22, attached hereto.)

The above weights are in accord with the weights billed by the vendor to the contractor, and paid for by the contractor, and no greater weights were paid for by the Government.

5. "*Freight charges*".—

Question: "1. Was a reaudit or refund of excessive freight ever made?"

Answer: A reaudit of freight bills was made by the War Department, and refunds of freight overcharges detected by the contractor or revealed by the Government audit, or disclosed during audits made by the Railroad Administration, were refunded to the contractor, with the exception of overcharges in freight by the N. C. & St. L. Railroad Company, which claims, aggregating $26,411.09, were withheld by the N. C. & St. L. Railroad Company on the grounds that its accounts with the United States were in process of adjustment, and it was not considered advisable to pay this amount to the contractor at the time. In this connection, it is well to state the method which was pursued by the contractor in handling freight bills.

Freight bills were presented at the contractor's plants when materials covered by such freight bills were delivered. These freight bills were then noted with reference to the contractor's order numbers for identification purposes. The railroad companies made sight drafts on the contractor at convenient intervals attaching to such drafts statements of the freight bills covered, which drafts were honored by the contractor, and after the freight bills were received from the plants at the Wilmington office, they were checked with the above-described statements, and any discrepancies detected were taken up with the railroads for adjustment. At the Wilmington office of the contractor all freight bills were checked with the material orders or requisitions and the proper references cross noted for record. Each freight bill was given a serial number and entered on registers. The charges were then recapitulated and distributed to the proper ledger accounts. After the contractor had completed the above process, the freight bills were transmitted to the contracting officer of the United States who proceeded to audit same in any manner that he desired. Upon the return of these bills to the contractor, the freight bills relating to operating projects were forwarded to the traffic department for audit as to rates.

Construction freight bills were not subjected to an audit as to rates on account of the fact that the United States Government did not consider such an audit necessary or desirable. (See letters hereto attached, marked "Exhibit 23.")

Overpayments or underpayments of freight in connection with construction projects did not result in any loss or gain to the United States, inasmuch as overcharges paid to the Railroad Administration and reimbursed to the contractor were returned to the United States in the form of increased receipts from the Railroad Administration, and undercharges vice versa decreasing the Railroad Administration's receipts were offset by corresponding decreases in the amount expended by the contractor and reimbursable by the United States.

Freight in connection with operating projects, however, involved the factor of profits as follows: On all cost-plus contracts the contractor's profit varied directly in the ratio of cost at the rate of profit stipulated in the contracts. Profits in connection with the Old Hickory operating project, however, were affected in an inverse ratio, inasmuch as this contract provided that the contractor would benefit to the extent of 50% in any saving effected over and above a stipulated base price. Therefore in consequence of this profit factor, freight bills relating to the operating projects were subjected to audit as to rates, and claims instituted for overcharges.

Question: "2. Why was freight allowed to come in at excess charges?"

Answer. The Railroad Administration did not do business with the Du Pont Engineering Company on a credit basis, and the best arrangement that the contractor could make was to accept the sight drafts of the various railroads for freight in connection with deliveries at the plants. It was impracticable to audit freight bills prior to payment and excess charges could not be detected until such bills had been subjected to audit.

Question. "3. Was Mason & Hanger paid 5% on this freight?"

Answer. Under the terms of the contract entered into between the Du Pont Engineering Company and Mason & Hanger, Mason & Hanger were entitled to receive 5% on the freight paid for such materials as were purchased and used by them in connection with the work performed for the Du Pont Engineering Company at the Old Hickory powder plant. However, a large quantity of material consigned to Mason & Hanger was delivered to the Du Pont Engineering Company at the Old Hickory plant, and in such instances wherein shipments were accepted directly by the Du Pont Engineering Company the freight charges were included in drafts drawn by the railroad companies for freight charges of the Du Pont Engineering Company and were thus paid by the Du Pont Engineering Company direct.

In order to save accounting work, Mason & Hanger did not insist upon receiving a commission on freight paid by the Du Pont Engineering Company, as described above, and consequently received commission only on such freight as was paid directly by themselves and included in their invoices to the Du Pont Engineering Company. Affidavit of F. L. Bebout, who was employed by Du Pont Engineering Company as chief clerk in charge of the freight-checking division, is hereto attached, marked "Exhibit 24."

6. "*Broadway Motors*".—

Question. "1. Will contractor furnish a report of transactions with Broadway Motors, comparing prices charged United States for Chevrolet cars with current prices?"

Answer. On May 11, 1921, Mr. J. R. Peebles, auditor for the War Department, presented to the contractor a memorandum alleging that the Du Pont Engineering Company had paid invoices of the Broadway Motors Company on which cars, accessories, etc., were charged at higher prices than the prices charged to their general trade. Attached hereto is a copy of a report, dated October 30, 1921, marked "Exhibit 25", submitted by the contractor to Major Farr, special representative of the Assistant Secretary of War, and accepted by him as a satisfactory reply.

In the inquiries submitted to the Du Pont Engineering Company by the war transactions section several points were not touched upon which may be of information to the board, and therefore we are submitting herewith a statement, marked "Exhibit 26", of gross earnings and net profits of the Du Pont Engineering Company (United States Government contracts) to date from inception to October 31, 1923. In order to obtain the results shown on this statement it was necessary to estimate Federal income taxes payable, inasmuch as final settlement has not been made with the Internal Revenue Department. With the exception of this one item, however, the figures as compiled represent the status of the contractor's books as of October 31, 1923.

We also attach hereto, marked "Exhibit 27", tables showing the distribution of E. I. du Pont de Nemours & Company's departmental expenses which were distributed in part as charges to Du Pont Engineering Company. The construction contracts were charged with a pro rata share of the general office expenses of the construction department of E. I. du Pont de Nemours & Company in the ratio of the direct salary payments of persons employed on E. I. du Pont de Nemours & Company and Du Pont Engineering Company projects. The operating department expenses of E. I. du Pont de Nemours & Company were distributed between E. I. du Pont de Nemours & Company and Du Pont Engineering Company in the ratio of direct salary and labor cost

The total charges made by E. I. du Pont de Nemours & Company to Du Pont Engineering Company for the use of its technical departments are as follows:

Engineering department	$161, 830. 02
Smokeless powder operating department	106, 652. 15
High explosives operating department	48, 677. 97
Purchasing department	12, 794. 08
Traffic department	8, 688. 90
Total	338, 643. 12

Of the above amount the United States disallowed the sum of $126,071.30 on the assumption that under the terms of Du Pont Engineering Company contracts it was not entitled to remubursement for departmental expenses of E. I. du Pont de Nemours & Company other than salaries and traveling expenses. The above disallowances, subdivided as to contracts, are as follows:

Old Hickory construction	$87, 991. 02
Old Hickory operation	9, 147. 93
Penniman construction	19, 755. 78
Penniman operation	4, 654. 53
Tullytown	1, 099. 68
Seven Pines	768. 78
Ives	2, 653. 58

The items still in dispute between the contractor and the War Department are as follows:

Part of Mason & Hanger fee	$179, 259. 79
Departmental charges of E. I. du Pont de Nemours & Company	126, 071. 30
Profit adjustments	52, 554. 29
Miscellaneous expenditures	19, 545. 58
Total	377, 430. 96

Respectfully submitted.

W. S. Gregg, *of Counsel.*

December 4, 1923.

Exhibit No. 1174[1]

DU PONT ENGINEERING COMPANY—THE HONORABLE, THE ATTORNEY GENERAL WASHINGTON, D. C.—WAR TRANSACTIONS SECTION, DEPARTMENT OF JUSTICE

Penniman.—Under contract G1320–732A, dated December 31, 1917, the company were to be paid, in addition to the cost of construction and operation of the plant, 10% of the cost of construction and 10% of the cost of loading differene sizes of shells to a maximum of 1,482,500 shells. In excess of such quantity there was to be paid 10% of established base cost plus 50% of any saving below the base cost. The new contract under date of April 12, 1918, provided as compensation $1.00 nominal profit on construction plus 14% of the cost of operation. Any profit accruing under the contract of December 31, 1917, was voluntarily waived and applied as an advance against the new contract.

Tullytown.—This contract, P3509–643E, dated March 2, 1918, provided for reimbursement of all costs of operation plus 14% as compensation.

Seven Pines.—This contract, P9050–960E, dated June 1, 1918, covered reimbursement of all costs of operation plus 14% as compensation.

Ives.—This contract, P15271–1433E, dated October 2, 1918, provided that the United States would bear all costs of construction and in addition pay a specified price per pound, subject to adjustment, of all T. N. T. manufactured. A nominal profit of $1.00 was to be paid for the construction of the plant. Prior to the Armistice construction of foundations for the buildings had only begun.

The plants were turned over to the Government: Old Hickory on April 17, 1919; Penniman on Feb. 19, 1919; Tullytown on Feb. 28, 1919; Seven Pines on Feb. 19, 1919; Ives on April 16, 1919.

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[1] Exhibits referred to in "Exhibit No. 1174" are appended to original report on file in the Department of Justice.

Previous examinations

Various charges were made from time to time that there were serious irregularities, great waste and extravagance in expenditure of Government funds. Mr. G. H. Dorr, assistant director of munitions, in October 1919, issued instructions to the ordnance district chief at Philadelphia, Pa., to continue such auditing and accounting as may be necessary in the interests of the Government. The ordnance district chief in turn authorized the cost-accounting branch to proceed with the audit. A great deal of auditing up to this time had already been performed, but obviously a reaudit was begun. This reaudit was in charge of various individuals and was not completed until June 1922, and the result thereof summarized as of May 31, 1922, by an auditor of the War Department. It is quite apparent that during the course of the reaudit, considerable trouble arose due to a lack of adequate legal interpretation of certain provisions in the contracts. Major R. R. Farr was appointed a special representative of the Assistant Secretary of War on July 16, 1921, to bring the reaudit of all Du Pont Engineering Company claims to a satisfactory conclusion. Major Farr (at present a special assistant to the Attorney General in the War Transactions Section) proceeded to issue legal opinions of matters submitted to him for the guidance of the various Government auditors engaged upon the work.

Charges of irregularities were brought to the attention of the joint board of survey of the War Department and Department of Justice, who submitted the matter for further investigation to a subcommittee. This subcommittee consisted of Hon. Dwight F. Davis, Assistant Secretary of War, chairman, Major General C. C. Williams, chief of ordnance, and Henry W. Anderson, special assistant to the Attorney General, representing the Department of Justice. A hearing war had before this subcommittee in executive session on May 10 and May 11, 1923, at which time several persons who had participated in the audit of the books of the contractor were present and gave testimony. The record of testimony accompanies the file.

On December 10, 1923, the subcommittee issued their report to the joint board of survey, running as follows:

"(*a*) Upon the present state of the record, it is not believed that a complete reaudit of the accounts—which would be very expensive and require at least 1 year of time—is justified, but there are certain items shown upon the record as to which there should be further investigation and additional audit, if the same be required.

"(*b*) In view of the fact that certain aspects of this matter are now before the Department of Justice and under investigation and that the questions of law which have been presented as to certain allowances made under the contract are proper for a decision of that Department, it is believed that this entire matter, including all files and documents, should be referred to the Department of Justice for such additional investigation as that Department may deem judicious and for such action thereon as may be necessary to protect the rights of the United States."

Thereafter, Mr. R. H. Williams, on December 17, 1923, and Mr. Wm. L. Frierson, on January 24, 1924, were appointed special assistants to the Attorney General and were assigned this case.

Scope of examination

It was an undertaking to determine the balance due from the Du Pont Engineering Company at August 31, 1924, qualified, however in that accountants of this unit accepted as a base the balances as shown on the books of the Du Pont Engineering Company as of May 31, 1922. These balances of May 31, 1922, were reviewed by the then War Department examiner, W. G. Kileen, and were made the subject matter of a report. It further included the determining of the amounts expended in respect of extra compensation paid to employees for meritorious service on construction of the plants, and of extra compensation paid to salaried employees and others on discharge. In addition, expenditures disallowed by War Department and eliminated from charges against United States Government were examined.

The report of May 31, 1922, made by the auditors for the War Department, was brought down by your examiners to August 31, 1924. All charges and credits appearing on the books of the Company between these dates were audited by this section.

It should be observed that a reaudit of the whole of the accounts was not undertaken by this unit.

Accounting records

Separate and distinct records were kept for each project, both in respect of construction and operation, but no provision was made for keeping separately the cost of each unit of the respective projects. General ledgers with supporting books of original entry are operated for each project, in addition to a general ledger and supporting records for the Du Pont Engineering Company. Access was obtained by your examiners to all desired records with the exception that certain cancelled checks specified hereafter could not be located.

It was apparent that no attempt was ever made by the company or by the War Department to reconcile the finance records of the Government with the books of the company. Certain expenditures placed on public vouchers were reimbursed or recouped against advances. In exhibit B and schedule no. 1 of exhibit A your examiners have shown the status of reimbursements and recoupments against advances. There are expenditures aggregating $35,323,732.84 yet to be put through the finance division for which no public vouchers have ever been issued. The advances were originally placed on public vouchers, excepting the advances by way of profit under the original Old Hickory and Penniman contracts waived by the company. Furthermore, an expenditure originally reimbursed or recouped, as shown by public vouchers, may subsequently have been suspended in whole or in part or a proportion absorbed by the Du Pont Engineering Company. The amounts, therefore, shown as reimbursements or recoupments are merely now a reduction of approved expenditures.

Balance sheet

The net liability to the United States Government, as shown on the books of the Du Pont Engineering Company as of August 31, 1924, is $970,286.30 (exhibit A). This conclusion is predicated upon no disallowance by the Government of any suspended items except those agreed to by the company and as shown in exhibit E. In other words, there is an undisputed balance of $970,286.30 due to the United States Government at August 31, 1924, subject to adjustment for interest on bank balances yet to be credited.

Details of the cash receipts and disbursements from the inception of the work to August 31, 1924, will be found in exhibit B and accompanying schedules. Exhibit B shows total net receipts of $130,483,358.19 and total disbursements of $129,513,071.89 for all projects, an excess of receipts over disbursements of $970,286.30, an amount, therefore, available to meet the undisputed liability, subject to adjustment, above referred to.

It will be observed by reference to exhibit A that a dividend of $400,000.00 was paid to E. I. du Pont de Nemours & Company, the parent organization, on December 31, 1919 ($143,772.46 in excess of net profit). The amount, however set aside as a reserve for Federal taxes is obviously in excess of requirements.

Profit and loss

Details of the profit and loss will be found in exhibit C. The profit derived from the construction and operation of Government plants, exclusive of any adjustment affecting operation profits in respect of items suspended by the War Department and never accepted by the company, is $2,723,577.68. The gross income after adding interest on bank balances of $11,687.47 is $2,735,265.15. From the latter figure is deducted expenditures disallowed by the War Department and not now charged against the Government but absorbed wholly by the du Pont Engineering Company of $103,405.87, details of which appear in exhibit E, as well as miscellaneous expenses of $56,114.85, not charged to the Government, a total, therefore, of $159,520.72. The net profit before deduction of Federal taxes is $2,575,744.43. Federal taxes of $2,319,516.89 charged thereto, of which $1,490,013.19 has been paid and the balance of $829,503.70 reserved, is in excess of requirements. The net profit after deduction of the amount for Federal taxes is $256,227.54.

Expenses suspended by War Department

Details of the suspended items to August 31, 1924, appear in exhibit D and accompanying schedules. These items were disallowed on appeal to the Assistant Secretary of War and have never been accepted by the company but charged against the various contracts. Certain items previously disallowed by the War Department and either allowed in whole or part on appeal to the Assistant Secretary of War operate either as an increase or a decrease to the suspended items, depending on whether or not the du Pont Engineering Company absorbed such expenses (exhibit E). No dispute arises as to the items allowed on appeal, but clearing entries have not yet been made on the books of the company pending a settlement of the contracts. The items in suspense are discussed in the paragraphs that follow.

Departmental charges of E. I. du Pont de Nemours & Company, other than salaries and traveling expenses, $126,071.30 (exhibit D).—The War Department disallowed all departmental charges of E. I. du Pont de Nemours & Company, other than salaries and traveling expenses, on the ground that the contracts limited such overhead to salaries and traveling expenses. Details of the departmental charges claimed appear in schedules nos. 1 to 5 of exhibit D, together with the apportionment thereof to E. I. du Pont de Nemours & Company and the various Government projects constructed and operated by the du Pont Engineering Company. The basis of distribution is (1) on direct salary and (2) on direct salary and labor cost.

Included in this item of $126,071.30 there is shown a charge of the loss from sale of furniture purchased from the City Club, $11,822.22. This is not correct. The whole amount should not have been charged against Old Hickory construction. It is now conceded that the charges should be distributed as follows:

Against E. I. du Pont de Nemours & Company		$7, 238. 27
Against Du Pont Engineering Company Construction:		
Old Hickory	$3, 591. 12	
Penniman	852. 50	
Ives	140. 33	
		4, 583. 95
		11, 822. 22

Whether or not the departmental charges of $126,071.30 are allowed, there must be an adjustment operating to effect the distribution in the manner recited above. If the expenses are not chargeable, the amount in suspense is $125,071.30 (exhibit D) from which should be deducted $2,822.69 (exhibit D) on account of profit adjustments, a total, therefore, of $123,248.61.

Old Hickory contract runs—Construction, article II:

"The United States shall reimburse the contractor for all costs and expenses of every character and description, incurred or made in connection with the construction and equipment of the plant or any part thereof, including the pro rata share properly attributable to the construction work under this contract (*a*) of the expense of maintaining the contractor's offices at Wilmington, Delaware, or elsewhere, and (*b*) of the salaries and traveling expenses of all officials and employes of the contractor and of E. I. du Pont de Nemours & Company."

Operation, article IV:

"The United States shall bear all costs and expenditures of every character and description, incurred or made in connection with the operation of the plant, or any part thereof, including the cost of labor, materials and their conversion, repairs, power, transportation, general work of, plant superintendence, maintenance of guards, and also the pro rata share properly attributable to the operation of the plant, or any part thereof (1) of the cost of maintaining the contractor's offices at Wilmington, Delaware, or elsewhere, and (2) of the salaries and traveling expenses of all officials and employes of the contractor and of E. I. du Pont de Nemours & Company."

If the expenses are held to be chargeable against the contract, and adjustment of $7,238.27 becomes necessary, or, if disallowed, the corrected amount is $123,248.61.

Extra compensation, $1,628.57 (exhibit D).—This item represents extra compensation paid to employees transferred to E. I. du Pont de Nemours & Company at reduced salaries, details of which appear in schedule no. 6 of exhibit D. The total amount paid was $4,677.98 of which $3,049.41 was absorbed by the Du Pont Engineering Company, leaving a net charge of $1,628.57. This is the difference between the old salary and the new salary for a period of one month. The correct amount, however, is $2,606.68, a difference of $978.11, which if adjusted would result in a corresponding reduction in the amount to be absorbed by the Du Pont Engineering Company. The company, however, concede that the expense should be wholly borne by them and not charged against the Government, and for this reason it is unnecessary to make the adjustment above referred to. The $1,628.57 is, therefore, a cost to be charged to the company.

Return transportation, wage-roll employes, $3,867.53 (exhibit D).—This represents 50% of the expenditures made on account of certain return transportation for wage-roll employes ($7,735.06) disallowed by the Assistant Secretary of War, which disposition was accepted by the contractor. While we have disposed of this item pursuant to this compromise agreement between the contractor and the Assistant Secretary of War, it is respectfully submitted in passing that your examiners' opinion is that either all of the amount was allowable under the contract or none of it.

Administrative expenses, $13,202.97 (exhibit D).—The composition of this item is as follows:

Salaries:		
Wm. Coyne	$8, 545. 73	
J. B. Broad and secretary	4, 060. 57	
		$12, 606. 30
Rent, Government claims division		500. 93
Traveling, officials on claims		95. 74
		13, 202. 97

These expenses formed part of the administrative expenses prorated to the construction and operation projects on the basis of pay rolls from February 28, 1919 to December 31, 1921. They were disallowed by the War Department on the ground that they were incurred in preparing data for and appearing before the claims board. This appears to be in accordance with rulings of such board, and in the parent company settlements, it is understood, expenses of this nature were either disallowed or withdrawn.

Salaries and expenses of officials and employes, $2,943.05 (exhibit D.)—The items under this group are as follows:

Salaries:		
H. G. Haskell	$1, 035. 00	
Engineering department of E. I. du Pont de Nemours & Company	621. 57	
		$1, 656. 57
Traveling expenses:		
H. G. Haskell	155. 23	
W. S. Gregg	999. 89	
John Lee Pratt	20. 72	
		1, 175. 84
Telegraph, telephone, etc		110. 64
		2, 943. 05

These expenses were also incurred in preparing data for and appearing before the claims board.

Freight between Nashville, Tennessee, and Jacksonville, Tennessee, 50%, $55.862.28 (exhibit D).—The Old Hickory contract, dated March 23, 1918, provides in article IV:

"The United States shall pay to the contractor three and one-half (3½) cents per pound for each and every pound of powder delivered and accepted under the contract, and in addition thereto, one-half of the difference if any between the price per pound to be determined in accordance with the provisions of paragraphs (*d*) and (*e*) of this article, and the actual cost per pound, as ascertained under paragraph (*a*) of this article, where such actual cost is less than the price so determined."

The base price of 44½ cents per pound of powder was predicated upon basic rates of five component materials f. o. b. Nashville, and if the cost of such materials shall so change as to decrease or increase the actual cost of the powder, then the basic prices shall be decreased or increased accordingly.

The War Department auditors in determining the cost of powder included freight between Nashville, Tennessee, and Jacksonville, Tennessee, and eliminated from the basic prices for the five component materials such freight on the found that the contract stated the basic prices to be f.o.b. Nashville.

At the time the contract was signed, the spur track running between Nashville, Tennessee, to where the plant was located at Jacksonville, Tennessee, had not been constructed, which no doubt accounts for the prices of the five component materials being specified f. o. b. Nashville. Even though the basic prices are f. o. b. Nashville, it is illogical to include freight between Nashville, Tennessee, and Jacksonville, Tennessee, in the cost and exclude it from the basic prices in taking the difference between the two on which the company had an equity of 50 percent in the saving. Freight to the plant is beyond question part of the cost, and it is necessary to adjust the basic prices to conform.

Your examiners are of the opinion that the auditors for the War Department are clearly in error in eliminating the freight between Nashville, Tennessee, and Jacksonville, Tennessee, from the basic prices. The freight amounts to $111,724.55, the equity of the company being 50 percent thereof, or $55,862.28. Reference is made to schedule no. 2 of exhibit B showing the total profits derived from one-half saving between adjusted base prices of materials over actual cost per pound of powder, which includes the $55,862.28 referred to, amounting to $770,452.99.

Miscellaneous, $254.88 (*exhibit D*).—These consist of miscellaneous expenses, principally hotel expenses, which it is now conceded will be borne by the Du Pont Engineering Company.

Plant publication, $1,652.03 (*exhibit D*).—Charges in respect of plant publication were at one time suspended by War Department auditors and the cost absorbed by the Du Pont Engineering Company. Subsequent thereto this expense was allowed in full by a decision of the Assistant Secretary of War. The cost, therefore, now is a proper charge against the Government and operates as a reduction of items to be disallowed. The profit of 14 percent on this amount now accruing to the company is $231.29.

Return transportation, salaried employes, $1,326.65 (*exhibit D*).—This represents 50% of the expenditures for certain return transportation of salaried employees ($2,653.29), the whole amount of which had previously been absorbed by the Du Pont Engineering Company. Subsequently the Assistant Secretary of War compromised with the contractor by offering to allow 50% of the expenditures. We have disposed of this item pursuant to the compromise, but, again, it is submitted that either the whole of the amount is allowable under the contract or none of it.

Profit adjustments, $3,053.98 (*exhibit D*).—These items have already been discussed, $2,822.69 being applicable to departmental charges of E. I. du Pont de Nemours & Company, other than salaries and traveling expenses ,and $231.29 to plant publication.

Recommendations—Suspended items.—The following is a summary of the items suspended by the War Department, giving effect to your examiners' interpretations:

	Total	Disallow	Allow
Departmental expenses of E. I. du Pont de Nemours & Company, other than salaries and traveling expenses	$126, 071. 30	$7, 238. 27	$118, 833. 03
Extra compensation to employes transferred to E. I. du Pont de Nemours & Company at reduced salaries	1, 628. 57	1, 628. 57	------------
Return transportation, wage-roll employes, 50%	3, 867. 53	3, 867. 53	------------
Administrative expenses	13, 202. 97	13, 202. 97	------------
Salaries and expenses of officials and employes	2. 943. 05	2, 943. 05	------------
Freight between Nashville, Tenn., and Jacksonville, Tenn., 50%	55, 862. 28	------------	55, 862. 28
Miscellaneous	254. 88	254. 88	------------
	203, 830. 58	29, 135. 27	174, 695. 31
Less:			
Plant publication	1, 652. 03	1, 652. 03	------------
Return transportation, salaried employes, 50%	1, 326. 65	1, 326. 65	------------
Profit adjustments, plant publication	231. 29	231. 29	------------
Departmental charges of E. I. du Pont de Nemours & Company, other than salaries and traveling expenses	2, 822. 69	------------	2, 822. 69
	6, 032. 66	3, 209. 97	2, 822. 69
Net	197, 797. 92	25, 925. 30	171, 872. 62

The above amount disallowed of $25,925.30 should, therefore, be added to the amount due to the United States Government. On the other hand, if it be decided by a legal interpretation of the contracts that the company are not entitled to any departmental expenses of E. I. du Pont de Nemours & Company, other than salaries and traveling expenses, the amount to be disallowed would necessitate an increase of $116,010.34 to the foregoing amount of $25,925.30, or a total of $141,935.64.

Extra compensation for meritorious service, $199,650.00 (*exhibit F*)

Details of extra compensation paid to employes on construction of plants for the United States Government amounting to $199,650.00 will be found in exhibit F and accompanying schedule.

The construction contracts all contain substantially the following provisions:

"In order that the contractor may expedite the work of construction, it may, in its discretion, from time to time, pay extra compensation for materials or services, subject, however, to the approval of the contracting officer, which extra compensation shall be charged to the cost of construction."

The extra compensation in question was paid on August 1, 1919, and the consent of the contracting officer, Lt. Col. R. H. Hawkins, obtained prior to such payment. The "extra compensation for materials or services" does not, it is submitted, extend to paying a bonus to employes for meritorious services approximately seven months after the suspension of the contract.

Extra compensation to employes on discharge, $396,580.06

Reference is made to exhibit G and accompanying schedules showing the extra compensation paid to employes, principally salaried employes, on discharge, amounting to $441,002.66 (exhibit G). This covers one to two months' salary or pay, depending on the length of service of the employes with the Du Pont Engineering Company and the parent organization, E. I. du Pont de Nemours & Company. The payment of this extra compensation was authorized by Contracting Officer Lt. Col. R. H. Hawkins on July 29, 1919, and paid, with the exception of $4,272.20, prior thereto. Subsequently, on November 19, 1921, the War Department claims board limited this extra compensation to a period of 30 days, any excess over that period to be borne by the contractor, who agreed to this ruling. It will be seen that the amount absorbed by the Du Pont Engineering Company is $44,422.60 (exhibit E), but the corrected figure reducing the extra compensation to one month is $43,873.93. The months in which the total extra compensation was paid are as follows:

1918:	
November	$27, 111. 42
December	187, 007. 44
1919:	
January	76, 338. 59
February	77, 457. 70
March	22, 184. 76
April	38, 602. 05
May	7, 245. 02
June	603. 48
July	180. 00
Subsequent thereto	4, 272. 20
Total	441, 002. 66

The contractor justifies the payment of extra compensation on discharge because the contracts provided that all costs and expenses of every character and description were to be borne by the United States.

Obviously a payment of extra compensation on discharge does not fall within this provision. It might be here emphasized that the contractor is claiming $22,679.15, representing one month's extra compensation paid to employes of Mason & Hanger Company, the subcontractors for part of the work at Old Hickory, although this subcontractor received a fee of $1,075,558.79. From an examination of the records it would appear that this amount did not carry 5% on the "extra compensation" paid.

It is respectfully recommended that the amount now charged to the Government of $396,580.06, and made up as follows, be disallowed:

Total extra compensation paid on discharge, per exhibit G	$441, 002. 66
Less:	
Excess of 30 days absorbed by Du Pont Engineering Company	43, 873. 93
	397, 128. 73
Part of 30 days' extra compensation borne by Du Pont Engineering Company	548. 67
	396, 580. 06

It required extensive work for your examiners to determine the amount of extra compensation paid on discharge. No proper lists had ever been prepared by War Department auditors or by the company, nor was there any control to work to. The extra compensation was merged and reflected in regular salaries and charged to numerous accounts on the construction and operation ledgers. Certain cancelled checks could not be produced, particularly for extra compensation paid through Mason & Hanger Company at Old Hickory. In such cases, however, receipts were produced or other satisfactory evidence of the payment produced. On the whole the preservation of records pertaining to the work is remarkably good.

Outward transportation and moving expenses, estimated

An estimate of $307,396.82 was made by the contractor and given to Messrs. Williams & Frierson, special assistants to the Attorney General, as the amount of expenditures made by the contractor involved under this subheading, as of February 28, 1919. The program of our examination did not include the verification of this amount on the books of the Du Pont Engineering Company at Wilmington. When it was found that the verification of outward transportation and incidental moving expenses of salary and wage-roll employes upon discharge and the verification of the inward transportation and incidental moving expenses of employes involved an effort that would require the services of a corps of accountants over a period of several months, it was directed that this verification be deferred. Its requirement by the division of the Government which will be called upon to effect a settlement of these contracts depends upon the determination, legally, of the right of the contractor to have been reimbursed for such expenditures under the contracts.

The Du Pont Engineering Company, giving effect to certain legal interpretations and the contention of your accountants outlined in the pages which have gone before, are indebted to the United States as of August 31, 1924, in the sum of $1,592,441.66, made up as follows:

(Exhibit A:) Balance per admission of contractor	$970, 286. 30
(Exhibit F:) Expenditures by Du Pont Engineering Company for extra compensation to employes for meritorious service	199, 650. 00
(Page 20:) Expenditures by the Du Pont Engineering Company for extra compensation to employes on discharge	396, 580. 06
(Page 18:) Suspended items	25, 925. 30
Total	1, 592, 441. 66

Giving effect to the contention of the War Department that the Du Pont Engineering Company are not entitled to reimbursement for (*a*) departmental expenses of E. I. du Pont de Nemours & Company, other than salaries and traveling expenses, and (*b*) freight between Nashville, Tennessee, and Jacksonville, Tennessee (page 17), which when put in effect means that the accountants of this unit are not correct in their conclusion that the Du Pont Engineering Company are entitled to these reimbursements, then the Du Pont Engineering Company are indebted to the United States in the amount of $1,764,314.28. These amounts mentioned as conclusions are, of course, subject to adjustment for interest on bank balances at the date of the settlement.

EXHIBIT No. 1175

[COPY]

Du Pont Engineering Company, recapitulation of all contracts, May 31, 1922

	Old Hickory P-4755-711E	Penniman P-2337-1228A	Ives P15271-1433E	Tullytown P3509-643-E	Seven Pines P9050-960-E	Total
RECEIPTS						
Advances by U. S. A	$37,829,000.00	$2,305,629.87	$4,200,000.00	$500,000.00	$500,000.00	$45,334,629.87
Reimbursed by U. S. A	72,565,801.34	13,361,177.64	0	1,191,297.22	621,709.98	87,739,986.18
Gross total received from U. S. A	110,394,801.34	15,666,807.51	4,200,000.00	1,691,297.22	1,121,709.98	[1] 133,074,616.05
Refunds to U. S. A	1,600,497.77	200,000.00	1,524,000.00	0	0	(2)
Net total received from U. S. A	108,794,303.57	15,466,807.51	2,676,000.00	1,691,297.22	1,121,709.98	129,750,118.28
Transfers between contracts	535,000.00	275,000.00	0	130,000.00	130,000.00	0
Interest on cash in bank	383,470.48	30,239.31	94,453.34	2,942.26	4,349.35	515,454.74
Total receipts	108,642,774.05	15,772,046.82	2,770,453.34	1,824,239.48	1,256,059.33	130,265,573.02
DISBURSEMENTS						
Approved construction cost	83,583,674.72	11,922,629.44	2,639,150.14	1,633,170.35	1,125,852.22	126,445,077.77
Approved operation cost	22,238,461.51	3,302,139.39	0			
Total approved cost	105,822,136.23	15,224,768.83	2,639,150.14	1,633,170.35	1,125,852.22	126,445,077.77
Operations profits approved	1,961,805.50	399,728.67	0	188,839.17	120,354.17	2,670,727.51
Total approved items	107,783,941.73	15,624,497.50	2,639,150.14	1,822,009.52	1,246,206.39	129,115,805.28
Suspended construction cost	286,550.10	222,616.13	2,717.85	1,462.05	1,458.45	310,953.23
Suspended operation cost	8,985.40	5,134.05	0			
Total suspended cost	277,564.70	27,750.18	2,717.85	1,462.05	1,458.45	310,953.23
Suspended profits	50,077.29	663.59	0	152.23	101.86	50,994.97
Total disbursements	108,111,583.72	15,652,911.27	2,641,867.99	1,823,623.80	1,247,766.70	129,477,753.48
Cash on hand	531,190.33	119,135.55	128,585.35	615.68	8,292.63	787,819.54
Total	108,642,774.05	15,772,046.82	2,770,453.34	1,824,239.48	1,256,059.33	130,265,573.02
REFUND DUE U. S.						
Cash on hand	531,190.33	119,135.55	128,585.35	615.68	8,292.63	787,819.54
Suspended construction cost	286,550.10	22,616.13	2,717.85	1,462.05	1,458.45	310,953.23
Suspended operation cost	8,985.40	5,134.05	0			
Suspended profits	50,077.29	663.59	0	152.23	101.86	50,994.97
Total	858,832.32	147,549.32	131,303.20	2,229.96	9,852.94	1,149,767.74

[1] See exhibit X.

[2] See exhibit Z.

NOTE.—Mason & Hanger subcontract fees have been included in this report as approved items, based on decision of R. R. Farr, special representative of Assistant Secretary o War, dated 5/23/21, and decision of Colonel J. A. Hull, vice chairman, War Department Claims Board, dated May 28, 1921. Any change in this decision would affect the amount due the United States. (Prepared by W. G. Kileen, chief accountant, Ordnance Department, U. S. A., c/o Du Pont Engineering Co., Wilmington, Delaware, June 23d, 1922.

EXHIBIT No. 1176

WAR TRANSACTIONS SECTION,
May 24, 1923.

Major JOHN G. BOOTON,
Ordnance Department, U. S. Army,
Munitions Building, Washington, D. C.

MY DEAR MAJOR BOOTON: Confirming conference of yesterday regarding the hearing before the Joint Committee of the War Department and the Department of Justice, regarding the transactions of the Du Pont Engineering Company with reference to the construction and operation of the Old Hickory powder plant at Nashville, Tenn., beg to advise that the War Transactions Section would be very glad at this time to avail itself of the general accounting and audit between the War Department and the Du Pont Engineering Company, both as to construction and operation. We have had in this Department, for several months, the document entitled "Recapitulation of all contracts", dated May 31, 1922, summarizing the total receipts and disbursements and setting up a refund due the United States. The supporting details upon which this is based would be very valuable at this time, and therefore requested.

If possible, we would like a complete report of disallowances and the action taken on same, also a report of all suspended items and what action was taken on same, also a complete statement of all bonus paid to the contractor or to employees

It is understood from the conference yesterday that of the total amount expended approximately $80,000,000 has been certified to the Comptroller General, and approximately $28,000,000 has not been sent to him. If this is correct would you so advise, or would you give us the correct figures? We would like a statement of the conclusions of the War Department as to how much is due the United States upon complete settlement of the transaction, and the accounting data upon which the same is based.

If the recapitulation of May 31, 1922, referred to above is the final statement of the War Department, would you kindly advise as to where and how it was prepared, and as to where the supporting documents and proof as to same may be obtained. Also, as to where the files upon which such summary was prepared, now are.

Very truly yours,

ARTHUR CARNDUFF,
Special Assistant to the Attorney General.

EXHIBIT No. 1177 JGB/ghm

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, June 15, 1923.

Major ARTHUR CARNDUFF,
Special Asst. to the Attorney General,
Old Land Office Building, Washington, D. C.

MY DEAR MR. CARNDUFF: In reply to your letter of May 24th, relative to the records of the Du Pont Engineering Company on the cost of construction and operation of the Old Hickory powder plant, there is inclosed herewith a copy of a summary of these transactions prepared for the use of the Secretary of War. This Summary shows the results which are tabulated in the Recapitulation of May 31, and is the supporting detail for that summary.

The only material change from the results set forth in these two documents is a reduction of $172,259.79 in the allowance to the Du Pont Engineering Company on account of fee to the Mason & Hanger Company of this city. This matter has been under consideration by the Attorney General for some time.

The above is not the record of a settlement or proposed settlement, but is the record of the allowances and disallowances made to that date by the Secretary of War. I am also inclosing an extra copy of the report of May 31, 1922, to which are attached reports showing the general situation as to disputed items.

As noted in paragraph 4 of the report of Mr. Kileen, no summary of amounts disallowed and accepted by the contractor is in existence.

The suspended items still remain suspended. These items will probably be considered by the Secretary of War when he is in position to make a final settlement.

No statement is available of bonus paid employees, either on account of superior services or on account of separation. Statement of the bonus for savings under the contract is set up in connection with operation accounts.

The total amount vouchered on account of this contract is $72,565,801.34.

Some disallowances of the War Department accepted by the contractor cover amounts already vouchered. These adjustments and the remaining allowances will be summarized and transmitted to the General Accounting Office in connection with the final settlement.

The War Department has never reached a conclusion upon the amounts to be allowed the contractor and the amounts to be refunded the United States. Action was suspended pending the reply of the Attorney General upon the Mason & Hanger fee, and will probably be suspended until the completion of the joint hearing by the War Department and the Department of Justice, which was begun some time ago.

When these two matters shall have been completed and the Attorney General has indicated his wishes as to the case, the Secretary of War will be in position to negotiate a settlement.

Sincerely,

John G. Booton,
Major, Ord. Dept., U. S. A.

2 inclosures.

Exhibit No. 1178

Mr. Carnduff. Just one question. Mr. Kileen, we have asked each of the accountants giving opinions here to give a brief résumé of their experience as accountants, and I would like to ask you the same question, namely, Are you a certified public accountant?

Mr. Kileen. No, sir.

Mr. Carnduff. Have you been a senior accountant?

Mr. Kileen. I was given that grade by Civil Service, that is all. Never served in public accounting.

Mr. Carnduff. Oh, you never served in public accounting?

Mr. Kileen. No, sir.

Mr. Carnduff. Would you give us very briefly your experience in accounting before entering the Government service?

Mr. Kileen. I attended the Utica Business College, and left there to accept a position in a wholesale jobbing and hardware concern, a clerical position. I was there about two years and a half. My next position was with the General Electric Company. And I held the positions of claim chaser, claim clerk, assistant to the head of the distribution department, and was later given charge of the distribution department, making a service of seven or eight years with the General Electric Company. I then made application to the Civil Service, and was assigned to the Ordnance Department in March 1918.

Mr. Carnduff. What was your rating, Mr. Kileen? What capacity, I mean?

Mr. Kileen. Senior accountant.

Mr. Carnduff. In the Civil Service?

Mr. Kileen. In the Civil Service.

Mr. Carnduff. Did you ever examine the books of the Du Pont Engineering Company?

Mr. Kileen. The general books?

Mr. Carnduff. Yes.

Mr. Kileen. I have worked on the cash books to determine the cash transactions, the accounts-payable registers, and the cost records and journal entries.

Mr. Carnduff. In whose employ were you then?

Mr. Kileen. In the United States Government.

Mr. Carnduff. For what purpose did you work on these books, Mr. Kileen?

Mr. Kileen. The purpose of this audit, under Major Farr.

Mr. Carnduff. But you never made any general examination of the operating books of the Du Pont Engineering Company?

Mr. Kileen. No, sir; only for the purpose of this audit, under Major Farr.

Mr. Carnduff. Thank you very much.

Mr. Kileen. Yes, sir. Now, gentlemen, may I return to Detroit?

Mr. Carnduff. I think that is all.

Mr. Anderson. Yes.

Mr. Carnduff. And we are very much obliged to you.

(Witness excused.)

Mr. Carnduff. I might say, Colonel, that I have not sent for Mr. Kileen, as I did not consider his evidence would much more than corroborate all of what Major Farr would tell us, and of course I didn't even know how he got (here).

("Exhibit No. 1179" appears in text on p. 3242.)

Exhibit No. 1180

STATEMENT OF MR. G. E. YOUMANS, SWARTHMORE, PENNSYLVANIA

Mr. Carnduff. Your name is G. E. Youmans. You reside at Swarthmore, Pennsylvania, and you are at present supervisor of accountants of the Internal Revenue Department of the Treasury?

Mr. Youmans. Supervisor of collector's office.

Mr. Carnduff. Will you please state to the board your former connections with the Du Pont Engineering transaction, and anything to your knowledge that you feel the Government should know about that. Just tell your story informally.

Mr. Youmans. My first connection with the Du Pont Engineering Company contracts was in December 1919.

Mr. Anderson. You refer now to the Old Hickory, do you?

Mr. Youmans. I was never there—yes, I was down there once, I believe; yes, but not during the active operation of the contract, though.

Mr. Anderson. Very well. Proceed.

Mr. Youmans. Then as accountant in charge under Mr. Cobb, supervisor of the cost-accounting branch of the Philadelphia district. Subsequently I became supervisor of the Philadelphia district, the cost-accounting branch, and continued the supervision of the audit of these contracts. And I continued in that capacity until about September 1921, at which time Major Farr, a special representative of the Secretary of War, took entire charge of the audit of the Du Pont Engineering Company contracts, and then I continued to operate under his direction until some time in November 1921, at which time I resigned.

Mr. Carnduff. Please state the circumstances of your resignation, and the reason for it.

Mr. Youmans. I resigned so that I could, in my private capacity, make a report to the Comptroller General, placing before him in this report certain matters that I thought he might not learn of through the settlement or award that was being prepared on these contracts.

Mr. Carnduff. Just tell the board what the basis of your report was, briefly, and the reasons for it.

Mr. Youmans. Why, I prepared a statement which included items that he had previously disapproved.

General Williams. Who had previously disapproved?

Mr. Youmans. The Comptroller General.

General Williams. Yes?

Mr. Youmans. Showing the disposition that had been made of them by the present control over the audit of these contracts. It was impossible to get an advance ruling on the items and principles involved in this audit without presenting a bona fide voucher. So in the course of time vouchers were prepared, and attached to them were the contractor's receipted vouchers supporting them. These vouchers embodied practically all of the principal disputed items, and his decision regarding the propriety of payment resulted in practically an interpretation of the contract, and in a great measure supported the interpretations that had already been given by the cost-accounting branch.

Exhibit No. 1181

EXCERPTS FROM EXECUTIVE SESSION, OLD HICKORY INVESTIGATION, ROOM 3538, MUNITIONS BUILDING, WASHINGTON, D. C., MAY 10–11 1923, SUBCOMMITTEE ON ORDNANCE OF THE GENERAL WAR TRANSACTIONS BOARD, PAGES 106–7.

Mr. Anderson. Why did you feel that you had to resign in order to make a report to the Comptroller General? Did you feel that there were irregularities going on which you could not report efficiently unless you were free as a private citizen to say as you thought?

Mr. Youmans. Well, yes.

Mr. Anderson. Don't hestiate to come right out and talk.

Mr. Youmans. There was a sense of loyalty. As long as I was employed by the Ordnance Department, why I made, prior to that, all my reports to them.

Mr. Anderson. Of course. Now what were the conditions which led you to feel that you ought to take such a drastic step as to resign in order to make that report?

Mr. Youmans. I understood, or I was told—I don't remember by whom—that the award would be finally made in a lump sum on these contracts.

Mr. Anderson. Yes?

Mr. Youmans. And such an award would practically bury all detail. And in that lump sum award would be these items that we had excluded, and the Comptroller General himself had excluded and said were not proper items of expense on the contract.

Mr. Anderson. What was the general character of your report to the Comptroller General? Merely a protest against payment?

Mr. Youmans. It was not a protest even. I criticized no one at all. Merely presented some facts that I wanted to get to him so that he would be warned and know what that lump sum might contain.

Mr. Anderson. And it dealt chiefly with the items that you reviewed?

Mr. Youmans. Yes; and I showed the action taken by Major Farr on those same items.

Mr. Anderson. Well, what was that action?

Mr. Youmans. Approved all the items that the Comptroller General had suspended.

Exhibit No. 1182

EXCERPTS TAKEN FROM MINUTES OF EXECUTIVE SESSION, OLD HICKORY INVESTIGATION, ROOM 3538, MUNITIONS BUILDING, WASHINGTON, D. C., MAY 10–11, 1923, SUBCOMMITTEE ON ORDNANCE OF THE GENERAL WAR TRANSACTIONS BOARD, PAGES 110–111.

Colonel Hull. Now on the subsidiary companies you completed absolutely all the audit accounting work, did you not, on all the contracts except Old Hickory?

Mr. Youmans. No. Operating costs had not been gone into on any of those contracts. We were still waiting for a decision as to the necessity of furnishing proof of delivery of material. That was still an open question. Operating costs were not to be gone into until after that was determined.

Exhibit No. 1183

EXCERPTS FROM EXECUTIVE SESSION, OLD HICKORY INVESTIGATION, ROOM 3538, MUNITIONS BUILDING, WASHINGTON, D. C., MAY 10–11, 1923, SUBCOMMITTEE ON ORDNANCE OF THE GENERAL WAR TRANSACTIONS BOARD, PAGE 114

Mr. Youmans. We questioned every voucher, but not prices.

Colonel Hull. Sir?

Mr. Youmans. Prices are something that were left entirely alone.

Colonel Hull. You didn't go into the prices on any of these?

Mr. Youmans. On anything.

Mr. Anderson. May I ask a question, or will it bother you, Colonel Hull?

Colonel Hull. You may

Mr. Anderson. Why did you leave the prices entirely alone?

Mr. Youmans. Why, we were so advised by—I think it was the District Claims Board at the time.

Mr. Anderson. In other words, you didn't undertake to verify the fact that the amount charged against the Government was the price paid by the du Pont Company for the stuff at all?

Mr. Youmans. No.

Exhibit No. 1184

STATEMENT OF J. R. PEEBLES, HADDONFIELD, NEW JERSEY

Mr. Carnduff. Mr. Peebles, your name is J. R. Peebles, I believe, Haddon House, Haddonfield, New Jersey, formerly contracting officer of the Du Pont engineering contracts, and you succeeded Major Guise as contracting officer, I believe?

Mr. Peebles. Yes, sir; that is correct.

Mr. Carnduff. Mr. Peebles, I have here a copy of a letter which I desire to place in evidence, reading as follows:

"December 13, 1921.

"Subject: Elimination of detailed summaries.

"As a result of conferences held in Washington, December 10th, 1921, you are hereby directed to discontinue preparation of detailed summaries.

"It has been decided the only information necessary is the voucher number and amount, which will permit tying up the charges with the contract and the contractor's books."

This was evidently handed to Mr. Kileen, with a copy to you. I will ask you if you received such instructions?

Mr. Anderson. Who is it signed by?

Mr. Carnduff. "R. R. Farr, special representative of the Assistant Secretary of War".

Mr. Peebles. Yes, sir; I have recollection of that.

Mr. Carnduff. Did you receive such instructions?

Exhibit No. 1185

EXCERPTS FROM EXECUTIVE SESSION, OLD HICKORY INVESTIGATION, ROOM 3538, MUNITIONS BUILDING, WASHINGTON, D. C., MAY 10–11, 1923, SUBCOMMITTEE ON ORDNANCE OF THE GENERAL WAR TRANSACTIONS BOARD, PAGE 155

Mr. Carnduff. Mr. Peebles, you have had charge of a number of large operations for the Government audits, I think?

Mr. Peebles. Yes, sir.

Mr. Carnduff. Was the Old Hickory transaction handled in the same way as the others? Was it handled the same way as you handled other transactions?

Mr. Peebles. No, sir; because we completed the audit as prescribed by the Comptroller.

Exhibit No. 1186

[Copy]

GRF/W
May 9, 1918.

OFFICE ORDER #1

Subject: Routing to be followed by United States Army Ordnance Inspection Force, Old Hickory powder plant, Nashville, Tenn., governing construction under contract no. war order P–4755–711–E.

I. *Work of Inspection.*—Inspection will be divided into five classes, as follows:

(A) Inspection of vouchers, invoices, bills, etc., material, expenditures, etc., and the approving or disapproving of same, before sending through to the disbursing officer at Wilmington, Del.

(B) Inspection of incoming material.

(C) Inspection of distribution of material after receipt.

(D) Inspection of the actual work of construction with a view to checking up delays, excess of employees on any particular piece of work, undue waste of material, loafing employees, leaving the job early, etc.

(E) General inspection, covering commissary methods, office methods, police methods, fire prevention, etc.

II. *The personnel and division of work.*—The work of inspection will be divided among the personnel of this office as follows:

(A) Sergt. E. F. Coffin, in charge of office and outside inspection for the inspector of ordnance.

(B) J. S. Wood, acting chief clerk and stenographer, directly responsible for routine work in the office.

(C) Private W. C. Gibbons, in charge of outside inspection on incoming material in bulk in carload lots.

(D) Private E. J. Taylor, in charge of outside inspection on incoming miscellaneous material in shipments of carload and less-than-carload lots.

(E) Private Harry W. Strickler, general inspection. Private Strickler will be detailed daily for specific work.

III. *Methods to be followed in conducting inspection of vouchers, invoices, bills, etc.*—(A) Such documents will be divided into three classes, according to the contractor's classification, as follows:

1. Lumber.
2. Mason.
3. Miscellaneous.

(B) 1. Such documents when presented to this office for approval will be immediately checked by Sergt. Coffin or Mr. Wood.

2. Those found correct will be stamped approved and returned to the contractor when complete, each day.

3. From time to time documents will be submitted for approval which may be found to be incorrect in various ways. Whenever such errors are found, Sergt. Coffin or Mr. Wood will call the matter to the attention of the inspector of ordnance and take the matter up with the contractor with a view to correction.

(a) A record of such documents will be kept in the proper file. This record will give full details in each case covering the actual error (when it can be ascertained):

Action taken by this office.
Action taken by the contractor.
Result of the action taken.

(b) A monthly report will be compiled from this file, showing—

Total number of errors detected.
Total money value of errors detected.
Total number of errors detected which could not be corrected from reports when taken up with the contractor.

(C) 1. At least 10% of the documents received in this office without supporting papers will be held out and will be forwarded to the contractor with request for supporting papers.

2. Upon notification from the contractor that these documents are ready for inspection with supporting papers attached, either Sergt. Coffin or Mr. Wood will go to the contractor's office and check.

3. A daily record will be kept by this office in the proper file showing results of the check.

4. On the first day of every month a report will be compiled from the information in this file and from the record specified in paragraph IV–H–1 showing—

(a) The total number of documents received for each class of material during the month for inspection.

(b) The grand total of documents received during the month for inspection.

(c) The total number of documents found to be correct upon check during the month.

(e) The total number of documents found to be incorrect upon check during the month.

(f) Percentage of documents checked by this office during the month based on the total number received for inspection.

(g) The percentage of documents found to be incorrect during the month, based on the total number received for inspection.

IV. *Method to be followed in making inspection on incoming material.*—(A) 1. The men assigned to inspection of incoming material will be known as field inspectors.

2. They will check each day covering as wide an area and as great a diversity of materials as possible, using the forms issued by the contractor to his field checkers for records.

(B) In checking carload lots in bulk the entire carload will be checked.

(C) In checking less-than-carload lots any single complete parcel or part of the shipment may be checked.

(D) In checking carload lots of miscellaneous material any single complete parcel or part of the shipment may be checked.

(E) It is not desired that entire carloads of miscellaneous shipments may be checked, as with the present force the work would be restricted to too small a percentage of the incoming cars.

(F) 1. At the end of each day's work, the field inspectors will report to the office, turning in their reports and taking up with the inspector of ordnance any points of particular importance. In the absence of the inspector of ordnance, written memorandum must be made calling his attention to such points.

2. Reports should be clipped together and should have attached to them a written report, signed by the field inspector, calling attention particularly to all shortages, broken parts, etc., that the day's work may have developed, indicating the trouble by the contractor's requisition number covering the material referred to.

3. Any other points of interest which may have been noted during the day's work in connection with incoming material should be covered in the field inspector's report.

4. Each morning the reports of the field inspectors for the preceding day will be carefully checked up by Mr. Wood or Sergt. Coffin. After this has been done the contractor will be furnished with a list of the material covered in the reports, identified by requisition numbers and car numbers, and the contractor will be required to submit corresponding reports by their field checkers for comparison. The check comparison will be made by Mr. Wood or Sergt. Coffin immediately upon notice from the contractor that he has the required records ready. In making comparison, particular attention will be given to reports by our inspectors indicating broken or missing articles.

(G) 1. A daily record will be kept by this office in the proper file showing the results of the comparison called for in paragraph IV–F–4, preceding.

2. On the first day of every month a report will be compiled from the information in this file and the record specified in paragraph IV–H–1, showing—

(a) The total number of "check comparisons" made during the month.

(b) The total number of "check comparisons" found to be correct.

(c) The total number of "check comparisons" found to be incorrect.

(d) The percentage of "check comparisons" found to be correct, based on the total number of "check comparisons" made during the month.

(e) The percentage of "check comparisons" found to be incorrect, based on the total number of "check comparisons" made during the month.

(f) The total number of documents (vouchers, invoices, bills, etc.) received by this office during the month for inspection.

(g) The percentage of "check comparisons" made during the month, based on the total number of documents received during the month for inspection.

(H) 1. A daily record will be kept in the file provided showing the total number of vouchers received in this office each day, classified as specified in III–A, preceding.

2. The first day of each month a total for each class and a grand total for all classes will be taken for purposes of reports specified in the preceding paragraphs.

V. The inspection referred to in paragraph I–C will for the time being be handled by the inspector of ordnance or such other of the personnel of this office whom he may designate from time to time.

VI. Inspection referred to in I–D will be handled by the inspector of ordnance himself, or such other of the personnel of this office as he may designate. All field inspectors, however, will "keep their eyes open" for any of the points referred to in paragraph I–D and will submit a daily report in writing covering any of the points referred to which the inspector may believe that he has noted. These reports should specify the time, place, particular trouble, and, when it can be obtained without friction, the name and the number of the foreman involved.

VII. Inspection referred to in paragraph I–E will be handled by the inspector of ordnance in person.

George R. Foulke, Jr.,
1st Lt. Ord. R. C. Army Inspector of Ordnance.

Exhibit No. 1187

[Copy] mg

Old Hickory Powder Plant,
GRF:d
Nashville, Tennessee, *September 12th, 1918.*

From: Robert L. Oden, Chief Clerk, Ordnance Department, U. S. A. (local).
To: Capt. Geo. R. Foulke, Jr., Ord., U. S. A., Army Hickory powder plant (local).
Subject: Developments of construction inspection, per office order no. I, at Old Hickory powder plant.

I. Reference: Paragraph III, C–4, Subparagraphs (a) to (g), inclusive, of office order no. 1.

The monthly report referred to in the reference is made up and on hand at this office for reference on demand, for each month commencing June 1st, to date. The net result of reports for June, July, and August, is summarized below in accordance with the reference, except for the omission of subparagraph (a) in the reference, which reads: "The total number of documents received for each class of material during the month for inspection."

(b) Grand total of documents received to September 1st	54, 965
(c) Total number of documents checked for supporting papers by this office to September 1st	5, 371
(d) Total number of documents found to be correct upon check for supporting papers to September 1st	5, 371
(e) Total number of documents found to be incorrect to September 1st	None
(f) Percentage of documents checked by this office to September 1st, based on total number received for inspection	9. 8
(g) Percentage of documents found to be incorrect to September 1st	None

II. Reference: Paragraph IV., C–2, Subparagraphs (a) to (g) inclusive, of office order no. 1.

(a) Total number of "check comparisons" made to September 1st	4, 765
(b) Total number of "check comparisons" found to be correct	3, 561
(c) Total number of "check comparisons" found to be incorrect	1, 204

Note.—Included in the "check comparisons" found to be incorrect are all reports which did not compare favorably with the Contractor's reports when same could be obtained, which was received at this plant on which Contract held no parallel papers.

(d) Percentage of "check comparisons" found to be correct, based on total number made to September 1st	74. 8
(e) Percentage of "check comparisons" found to be incorrect, based on total number of "check comparisons" made to September 1st	25. 2
(f) Total number of documents received by this office during the period for inspection	54, 965
(g) Percentage of "check comparisons" made during the period, based on total number of documents received during period for inspection	8. 6

III. A study of the figures given herewith, together with a complete understanding of the situation reveals a discrepancy. First of all, it will be noted that all vouchers when submitted to this office for final inspection and passing, apparently have complete supporting papers. Secondly, it will be noted that in 25.2% of all the cases which have been checked by this office and which constitute 8.6% of the total documents received, supporting papers could not be furnished at the point and by the office where these supporting papers are supposed to originate in every case. In other words, apparently whenever a field checker's report was not available to cover a given voucher, and payment was desired on the same, a field checker's report was made up from the face of the voucher, attached thereto, certified, and forwarded to the Army inspector of ordnance for signature as a proper supporting document.

IV. Reference: Letter of May 13th, 1918. Subject: Routine of inspection, paragraphs 2 and 3.

Paragraph 2 reads, in part, "In other words, the report specified above first develops with reasonable certainty whether any errors exist or not."

Paragraph 3 reads, in part, "It is felt that this report will develop with reasonable certainty, first, whether the inspection made by the contractor is a good and proper inspection."

It is felt that the facts developed in paragraphs I and II above show—

(1) With absolute certainty that errors do exist:

(2) That at least part of the inspection made by the contractor has not proved to be a good and proper inspection.

Robert L. Oden, *Chief Clerk.*

Exhibit No. 1188

War Department,
Office of the Chief of Ordnance,
Washington.

Memorandum for 1st Lieut. George R. Foulke, Jr., U. S. R.,
O. O. New York City, N. Y.

In order to complete the records in this office, it is requested that you return this paper to the Commissioned Section, Personnel Division, Office, Chief of Ordnance, Washington, D. C., with the information indicated below.

James L. Walsh,
Major, Ordnance Department, U. S. A.,
Personnel Officer.

Date of birth: July 2nd, 1889.
Place of birth: Bala Farm, Penna. (Chester, near West Chester, Pa.).
Age on January 1, 1918: 28 years 6 months.
Graduate of college: University of Penna., 1911, B. S. Degree.
Previous Military experience: None.
Rank: U. S. Commission as 1st Lieut. Ord. R. C., July 10th, 1917.
Called to active service: July 30th, 1917.
Employment before entry into service: Du Pont Pdr. Co., Technical Div., July 1911 to Nov. 1912. Private business as Agt. for Du P. Co. & Farmer to April 1915. Asst. Supervisor of Pdr. Line & Supervisor of Fin. Dept. for Du Pont Pdr. Co. to Feb. 1916. Senior asst. Supt. Summerville plant Aetna Explosives Co. to Jan. 1917. Supt. Black Pdr. Pellet Plant, Ball Grain Explosives Co. to July 30th, 1917.

George R—edd Foulke, Jr.,
1st Lieut. Ord. R. C. Corps,
Washington, D. C.

War Department,
Office of the Chief of Ordnance,
Washington, June 21, 1917.

From: The Ordnance Office.
To: Commanding Officer, Picatinny Arsenal, Colonels Dun and Hoffer.
Subject: Utilization of services of Mr. George R. Foulke, Jr. (Field).

1. I am instructed by the Chief of Ordnance to inform you that Mr. George R. Foulke, Jr. of Bala Farm, West Chester, Pennsylvania, has been recommended for commission as First Lieutenant in the Ordnance Officers' Reserve Corps.

2. In order to assist the Department in utilizing his services to the best advantage, the following information in reference to him is furnished.

Age: 27 years.
Education: 4 years Univ. of Pa. Graduate of same, 1911.
Member: No engineering societies.
Experience: As farmer, foreman, supervisor, assistant Supt. and Supt. of plants and construction of same in connection with smokeless powder. Supt. of Black Powder, Pellet Dept., Ball Grain Explosive Company, Wilmington, Delaware.
Qualifications for duty: With troops in field "Yes". On technical duty "Yes".
Remarks by board: "Notify Picatinny Arsenal of this recommendation."

3. In case the services of the officer named above can be utilized under your direction, it is requested that you communicate promptly with this office, otherwise, this letter need not be returned to the Ordnance Office for file.

R. T. Davis,
Lieutenant, Ordnance Department, U. S. R.

Copy for file.

EXHIBIT NO. 1188-A

[Copy]

JUNE 7, 1918.

From Lt. Geo. R. Foulke, Jr., Ord. R. C., army inspector of ordnance, Nashville, Tenn.

To Lt. Col. F. H. Miles, Jr., inspection division Ord. Dept. U. A. S., 6th & B Streets, Washington, D. C.

Subject: Routine of inspection.

1. Attached herewith is copy of office order no. 1 in re inspection specified in my letter to you of the 23d ulte.

2. Referring to the monthly report specified in paragraph 111-C4, you will note that the report gives a general summary, not including money value of errors found. The money value of the percentage of error, if any, can readily be determined by referring to the file record from which this report is compiled. The actual documents which were in error can be found. From them the actual money value of the errors can be computed, based on the money value of the documents in which the errors occurred, and, if satisfactory, reimbursement, when construction is finished, can be made based upon this percentage. If this reimbursement is not thought to be accurate enough, then the auditor, when appointed, can cover each document, check all errors, and reimbursement can be made on the strength of his report. In other words, the report specified above first develops with reasonable certainty whether any errors existed or not, and second provides a working basis on which adjustment can be made if desired. Attached herewith are cards, and from the one marked "# 1", you will note how the information regarding documents checked with supporting papers is shown in the files of this office.

3. Referring to report specified in IV-G-2 it is felt that this report will develop with reasonable certainty, first whether the inspection made by the contractor is a good and proper inspection, and, second, that it will develop a basis for financial adjustment of claims, in the following manner; if comparison of reports of the "field inspectors" from this office with the reports of the contractor's field checkers develops that the contractor's field checkers are not reporting shortages, breakages, etc., certain specified instances of failure to make such reports can be determined from the records kept in this office, and, by referring to the files by the contractor, the loss in money value occasioned by the errors in the contractor's field checkers' reports can be determined as a percentage based on the value of the shipment. This percentage could be applied if satisfactory to the entire value of all purchases made for purposes of reimbursement upon conclusion of construction. If this method of settlement is not satisfactory the fact of the error existing has been established, and audit can be made by the proper parties and specific adjustment obtained. From the card marked "# 2" attached, you will note how the information regarding comparison between the field inspectors' reports and reports of the contractor's field checkers is shown in the files of this office.

4. Referring to paragraph I-C, this inspection will be handled as specified in paragraph V. No particular men have been designated to handle this work regularly because investigation has developed that when material is received on the ground here and properly checked in, it is almost sure to be checked up and handled in an economical manner and with as little waste as conditions will permit. Sufficient inspection can be given, therefore, as outlined in paragraph V to insure that the present methods are continued. In case this inspection develops at any time that carelessness is creeping in, steps will be taken to institute inspection that will put a stop to such carelessness.

5. The method of handling inspection referred to in paragraph I-D as specified in paragraph VI is forced upon this office by the very nature of the work. It is almost impossible to prove that the troubles specified did exist even if they seemed to at the moment of inspection. This office is cooperating with the du Pont Engineering Co. to put a stop to such troubles, and it is the belief of this office that the du Pont Engineering Co. is doing everything in their power to prevent such troubles. If the services of one or two thoroughly trained construction engineers with experience in big construction work could be obtained, interesting criticism might be made, but it is not believed that any more or any better action could be taken than is being taken at the present time.

6. Relative to inspection specified in paragraph I-E, this inspection will of necessity have to be handled by the inspector of ordnance himself. For the du Pont Engineering Company it is being covered by men who have years of pre-

liminary training in other work of the same character, and in the opinion of the inspector of ordnance they are doing all that is possible at the present time.

7. It is realized most keenly that the inspection outlined in office order no. 1 is not a 100% inspection. It is felt, however, that if properly carried out, it is reasonably certain to develop any troubles which may exist and provide a remedy for them and that no more certain system of inspection can be devised to meet the conditions short of an absolute 100% inspection. This last is practically out of the question. The Du Pont Engineering Co. and the subcontractors are conducting a 100% inspection. In doing this the Du Pont Engineering Company is employing 100 checkers and the subcontractor's force is approximately 100 checkers covering incoming material alone, while an office force of several hundred people is maintained to do the necessary paper work. In addition to these men, there is a small army engaged in checking the distribution of material, auditing vouchers, etc. Inasmuch as the Du Pont Engineering Co.'s files are open at all times to the Government and will eventually be turned over to the Government, it is felt that to institute a check on them which would cover the work as they are doing would involve a waste of men and money and a loss of time which would not be justified.

George R. Foulke, Jr.,
1st Lieut. Ord. Y. C.,
Army Inspector of Ordnance.

Exhibit No. 1189

General Williams. I am willing to say this: I think that under the contract I as chief of ordnance would have had authority to direct a 10 percent audit. Furthermore I will say that under the circumstances—the question never was brought to me—but under the circumstances had it been brought to me, I would have directed such an audit.

Mr. McLane. What I was driving at is, who did direct it?

General Williams. I will admit the responsibility for directing that audit.

Mr. Guise. The only information we have as to orders, or that I secured as to orders——

Colonel Hull. Limit that to the time of operation.

General Williams. Construction and operation.

Mr. Guise. This 10 percent that has been referred to is not an audit, it never was an audit. The 10 percent method referred to was the method used in checking the quantity and class of incoming materials.

Mr. Anderson. That was true of the period of construction and operation?

Mr. Guise. During the operation. There was practically no check ever found on the operation materials.

Mr. Anderson. Just a minute. Then during the period of construction and operation there was what we might call a 10 percent check. That is, one receipt in ten would be checked to verify its correctness, and the other nine would be assumed to be correct on the basis that that one was found correct?

Mr. Guise. This was the Government check.

Mr. Anderson. The governmental check. Now then, what was the next audit?

Mr. Guise. This was not the audit. Do not get "audit" and "check" mixed. An audit is an entirely different thing from a check. The Army inspector of ordnance, under the old system that was carried along to some extent in the new—although we were relieved to some extent of his responsibility for property—was the representative in the field and had to assume property accountability for all materials received and paid for by the Government. In these cost plus contracts the miscellaneous items that made up the material being manufactured by the contractor had to be checked; the actual final cost of the article had to be checked in under the same method.

The Army inspector was given a group of men—sometimes depending on his discretion, and generally depending on how far he made his check, more than anything else—for several purposes; primarily, we may say, so far as incoming materials are concerned, to check against the quantity and quality received. Secondarily, to check against proccesses in producing the material. Normally it was expected that a complete chedk would be made on the receipt of materials. That was had; there was no reversal that I know of at any time of the ordnance department regulations in that direction. Of course I had myself about eight months of inspection work, and during that period I had the old-time method, and I had the old-time property accounts. I only had nine all told to take care of.

In this case the evidence that it was possible to secure, together with a copy of the order issued by Lieutenant Foulke, indicated that a 10 percent check was made on the receipt of the material. That is, out of we will say 100 vouchers, 10 vouchers would be pulled out and checked up, and the 100 accepted as being correct if the ten were correct.

The CHAIRMAN. Was that the customary practice in the case of a large contract of this sort in those times, or was that special in this particular case?

Mr. GUISE. Well, I don't know. This was the only case anyway where I definitely came in touch with that particular practice. As I stated, in my property accounts I always worked on the old method. Even over in France I used the old system, and I found that I could keep things clear, and my accounts were "zeroed" even overseas, so I assumed it was satisfactory for me to do it.

In this particular case it must be remembered that the Army inspector of ordnance at the Old Hickory smokeless powder plant had, in proportion to the magnitude of the task, a comparatively limited number o checkers.

EXHIBIT NO. 1190

WASHINGTON, D. C., *Sept. 14, 1923.*

Memorandum to Assistant Attorney General John W. H. Crim.

In re: Preliminary investigation Old Hickory powder plant, Nashville, Tennessee.

1. In accordance with instructions your accountant proceeded to Nashville, Tennessee, for the purpose of making a preliminary investigation of the plant records of the Old Hickory Powder Co., and submits the following findings:

2. I visited the plant, which is situated about 20 miles from Nashville at a place called Jackson, Tenn., and found that some of the plant records, such as requisitions, and duplicate work vouchers, were in the keeping of the commanding officer, ordnance division, War Department. Major Oscar Krupp, being the commanding officer now in charge of the plant. I also found records that were stored in a temporary building in the powder area by orders of one Major O'Shaughnessy, who was then commanding officer and who, I understand was formerly connected with the corporation of E. I. du Pont de Nemours Co., and who has lately returned to the ordnance division.

3. The records in question were dumped into tin cans under the major's instructions, carried to this temporary storehouse, and there dumped into rooms without any regard as to system or importance. The building in question originally had four rooms, but same was struck by a cyclone and part of the building was blown away, and some of the records were scattered to the winds. The roof of the building was torn away and the records were exposed to the elements for a number of weeks. Other records were found under the flooring of the building covered with acids. The building at the present time has a padlock on it, but at least a dozen persons have keys thereto. This was called to the attention of Major Krupp who advised your accountant on Sept. 12, 1923, that the condition would be remedied.

4. The following leads and reports of irregularities relative to the construction and operation of the plant during the war period have come to the attention of your accountant during the further conduct of this preliminary investigation:

Alcohol.—Total shipments of this commodity amounted to 22,859,811 lbs., with total values of $2,472,484.11. The auditors for the War Department took exception to 755,072 lbs., valued at $75,507.20, which was shipped to the plant after date of Dec. 1, 1918.

Cotton.—The total shipments of cotton 82,301,401 lbs., with a value of $4,685,342.42, the exceptions being to 13,683,822 lbs., with a value of $832,702.41 which was shipped after Dec. 1, 1918.

(*a*) The exceptions taken are based upon records showing materials received after Dec. 1, 1918, cotton shipments originating at Hopewell, Va., and at Nitro, W. Va., both being plants of the parent company of the Du Pont Engineering Co. These records also disclose that part of these shipments were made from Dec. 1, 1918, up to and including April of 1919. Further investigation will disclose the fact that this cotton was purchased on requisition and purchase orders for the production and operation of the above-named plants.

(*b*) Investigation of prices at one point of origin, Jackson, Tenn., shows that the American Industry Corporation, formed by the parent company, the E. I. du Pont de Nemours Co., bought cotton from the planter and shipper at lower prices than called for by the contract and sold to the contractor, the Du Pont Engineering Co., at the values set forth in the contract. This plainly shows a profit to the subsidiary company. Price paid shipper was 04.67¢ per lb., and it was vouchered through for payment by the Du Pont Engineering Co. to the Government at 05.75¢ per lb., bridging their contract. They therefore received a profit although the contract plainly states that the contractor shall not gain or lose by the prices as stipulated in the contract. This one example clearly shows how the use and bridging of this contract was worked to their own advantage. Investigation of all points of origin will undoubtedly disclose further irregularity.

(*c*) Railroad records that were transcribed show a freight rate being applied and paid by the contractor (Du Pont Engineering Co.) vary from 60 cents to $3.20 per 100 lbs. from the same point of origin.

(*d*) The question of freight rates have been argued at various times; some could not see whereby the contractor was benefited as the railroads were operated under Federal control at the time, and it appears to others that the questioning of these rates was a useless expense and a waste of time. It is the contention of your accountant that where materials were bought through a subsidiary company of the parent company, the contractor, on a cost plus basis, it was to their advantage and profit to allow these variations in freight rates to go through without further questioning or adjustment.

(*e*) If your investigators were to proceed to the point of origin, the books of the various shippers would disclose as to weights and prices shipments where bales of cotton weighing over 2,000 lbs. each were paid for by the Du Pont Engineering Co., while it is a known fact among cotton shippers that a bale of cotton has a commercial weight of 500 lbs.

(*f*) It has come to the attention of your accountant that the Du Pont American Industries shipped long after the Armistice many bales of cotton linters to the plant, that were of excessive weights, and by way of illustration your attention is directed to the following: On Oct. 16, 1918, there was shipped from Dallas, Tex., car M. K. T. 94,333, containing 24 bales weighing 24,000 lbs., each bale being an average of 1,000 lbs. On Nov. 7, 1918, there was shipped from Maridina, Oklahoma, car R. F. & P. 2,203 containing 40 bales, weighing 98,749 lbs., being an average of 2,468 lbs. to a bale. On Feb. 20, 1918, there was shipped from Hopewell plant, car D. L. & W. 34,250, containing 45 bales, weighing 59,980 lbs., the average weight per bale being 1,333 lbs. On Feb. 22, 1919, car N. Y. C. no. 236,165 from Hopewell, containing 51 bales, weighing 76,144 lbs., being an average of 1,492 lbs. to a bale.

(*g*) In connection with the above shipments your attention is again directed to the fact that the cotton gins compress only 500 lbs. to a bale. By way of a test your accountant took car no. 2203, R. F. & P., containing 40 bales, weighing 98,749 lbs., and on which weight the Du Pont Engineering Co. paid freight, and found from car records that the car in question was an automobile car, and that the capacity of same was 80,000 lbs. Shippers are permitted to increase this weight by ten percent, making a total capacity of 88,000 lbs., and it would be utterly impossible to get 98,749 lbs. in this car. An investigation of these cotton shipments would probably disclose other gross irregularities.

(*h*) In connection with these cotton linters it has been brought to my attention in reference to a sale made on Nov. 22, 1922, in which 4,000 tons of cotton linters were sold at $12.50 per ton, amounting to $50,000, the sale being to the Lookout Oil and Refining Company, by the Nashville Industrial Corporation. This matter should be investigated to determine whether the sale should accrue to the Government or not.

Causticising lime.—There were 8,081,600 lbs., with a value of $30,079.91, exceptions being taken that shipments were made after Dec. 1, 1918; that these shipments all originated within a radius of 100 miles of Nashville, Tenn., and that most of it was bought through a local firm, T. L. Herbert & Sons, with offices in Nashville, Tenn. Claims entered against the above-mentioned shipper, and acknowledged as correct by the railroad agent as to weights, were weighed by the contractor and paid in full.

Nitrate of soda.—Total shipments were 202,844,173 net lbs., with a total valuation, including inland freight, of $8,729,293.63.

(*a*) Exceptions taken on shipments made after Dec. 2, 1918. It required 38 days to travel by ocean route to point of entry. It is the contention of your investigator, and borne out by the contractor's own statement, made on the first page of their annual report for the year 1918, that they could and should have cabled cancellations of all shipments, especially of such a vast amount of material used in the production of smokeless powder. Question of price on this particular material should be thoroughly investigated, as we have information leading us to believe that the parent company again through its purchases with a subsidiary company, received an excessive profit on nitrate of soda.

(*b*) There was a commission appointed to purchase, and this commission was invested with the distribution rights of all nitrate of soda. The commission, we are led to believe, were all members directly or indirectly connected with or for the parent company. In the opinion of your accountant there is a matter that should be investigated relative to shipments of soda, which is as follows: "Why place an additional price of six shillings a quintal at ship-side before the nitrate of soda was placed aboard ship for transportation to point of delivery."

(*c*) This additional charge was levied by the commission above referred to. This charge can be verified through Majors Finlitter, H. P. Guise, and R. E. Bauman, all of whom were formerly connected with the U. S. Ordnance Department.

(*d*) The unloading of a vast quantity of materials as the records disclose should be thoroughly investigated, and whoever is responsible should be required to show the reason and authority for permitting this unloading. The signing of the Armistice was the moral notice to corporations and individuals alike, that the war was at an end.

(*e*) This point was upheld by the Army Ordnance Department and instructions were issued to take exceptions to all materials shipped or contracted for after Dec. 1, 1918.

Soda Ash.—The total weight of soda ash was 8,293,100 lbs., valued at $129,129.85. Exceptions were taken to 691,300 lbs., of the value of $10,790.61, shipped after Dec. 1, 1918. Prices and freight should be compared at the point of origin against sales and prices as billed to other firms.

Crude sulphur.—Of a weight, 80,583,780 lbs., with a total value, including expenses of guarding, of $796,012.00. Exceptions were as follows:

(*a*) 426,200 lbs. valued $4,185.90. These shipments originated in Louisiana, and could have been readily cancelled, but along with other shipments of material, they were unloaded after Dec. 1, 1918.

(*b*) Guarding charges of $4,744.50, listed, shows some very interesting facts. Some cars required shows the expenditures to be approximately 40% higher charges from the same point of origin and for the same number of cars.

Sulphuric acid.—There were shipped from Mineral Point Zinc Co., 117,600 lbs., at a price of $34.84 per ton, and from the Graselli Chemical Co., 506,000 lbs., at a price of $28 a ton. Exception in this case being the difference in price. All shipments were made within a period of seven days, which shows that there should not have been any change in price. Further investigation might show the Mineral Point Zinc Co.'s connection as to whether they are a subsidiary of the contractor. If this fact is disclosed, the reason is obvious.

Solder.—240,000 lbs. priced from 47¢ to 55⅛¢, $122,250. Exceptions are taken on 87,000 lbs., at 47 cents, amounting to $37,600. The shipment originated at Long Island City, N. Y., and exceptions should be taken that this material was shipped after Dec. 1, 1918. It would appear that this is another case of unloading.

Cast-iron borings.—There were shipped from John C. Kane, Philadelphia, Pa., 177,200 lbs., at $16.30 per long ton. Also from Joseph Bros., Cincinnati, 2,689,532 lbs., at $22.06 per long ton. Exceptions taken to the difference in price. Kane shipments were made from Dayton, Ohio, while Joseph Bros. shipments originated at Cincinnati. Investigations at point of origin would undoubtedly disclose some interesting facts. It should be determined whether the contractor is interested financially in Joseph Bros.

Powder bags.—There were shipped from J. Spencer Turner & Co., New York, 10,500 bags, at 61 cents each, and from Carter Haugh Tent and Awning Co., Nashville, Tenn., 220 bags, at $1.70 each. These latter bags should have been taken on at the difference in price, and it is the opinion of your investigator that if a further investigation is made, it would be found that these bags were obsolete as containers of powder. Other and more efficient containers were being used in the trade.

Box shooks.—There were shipped 300,035 complete shooks of a value of $297,718.21. The exceptions taken were as follows: 15 carloads were received at the plant after Dec. 1, 1918, amounting to $23,032.70. In addition to this 30 cars left the E. I. du Pont Nemours plant known as the "Brandywine shop" at Wilmington, Del. On Nov. 25, 1918, two weeks after the signing of the armistice, this shipment arrived at the plant after Dec. 1, 1918, and cost approximately $50,000, exclusive of freight. There were no vouchers in the plant files covering these shipments.

It would appear that this was an unloading of surplus stock onto the old Hickory company, and I am advised by one of our informants that he personally handled the sale of 35,000 shooks at 16¢ loaded at Nashville. Question of this sale should be thoroughly investigated.

Sulphate alumina.—There were purchased from the Harrison Paint Works, a subsidiary company of the Du Ponts, 250,000 lbs., at .025 a lb., with a loading charge of $65.76 a car. Other shipments purchased from Isaac Winkler Bros. Co., of Cincinnati, were paid at a price of .02 to .025 per lb. without loading charges, and from the Kalbfleisch Corporation at Chattanooga, at prices from 1¾ cents to 2 cents per lb., without loading charges and 1% cash discount. The exceptions taken on this are through the high prices paid to Harrison Bros., and it is again apparent that the contractor bought through their subsidiaries at a profit to themselves.

Benzol.—Shipments of benzol from Deep Water and Carney's Point, N. J., both plants of the E. I. du Pont Nemours Co. Received 30 cents per gallon, the maximum price, along with a loading charge of $10 a car. While shippers from Woodard, Ala., received from 20 to 30 cents per gallon, with a cash discount of 1% and no loading charges.

Overcharge in freights.—From a cursory examination I find that there are overcharges in some freights for shipments into the plant of at least $29,000 that the railroad company has acknowledged. I believe this to be only a small amount of the total, and I have been informed that the Government can recover at least $1,000,000 without recourse to the courts. These freights, of course, will all have to be investigated and proof made of the overcharges.

Undertakers, hospitals, etc.—From a cursory examination your accountant finds that the Du Pont Engineering Co. at the time of the epidemic of flu entered into a contract with a firm of undertakers in Nashville, Tenn., named Wiles Bros., in which the undertakers were to care for the victims at a price of $75 for each burial. In this connection I would state that the facts as disclosed by the records are deplorable. At times when a death would occur this firm of undertakers would charge the Du Pont Engineering Co. the amount under the contract and transfer the body to Potter's Field, in which they paid the county authorities $11.00 and made a clear profit of the difference. Where relatives of the deceased were able to pay for the funeral, exhorbitant prices would be charged by this firm. As an illustration, a casket costing $29.50 would be charged up at $200 or more, if they thought the parties could stand for it. Again, the relatives of the deceased, if a burial was to cost $300, would contribute, say, $150. This firm would charge $300 to the Du Pont Engineering Co. and pocket the $150 in addition. Again, if money was coming to the deceased in the way of wages, they would collect these wages from the Du Pont Engineering Co. and pocket same. Valuables belonging to the victims' would be lost. The victims bodies when sent home for burial, in some instances, would be shipped nude and would arrive in a decomposed condition. This matter should be thoroughly investigated and the offenders brought to justice.

The Du Pont Engineering Co. sent a number of patients to the various hospitals in Nashville, who afterward died, and were buried by Wiles Bros. Among them were children from four months old to ten years old, and the United States Government paid the expenses. At times the patient also paid the bills, but nevertheless this was not credited to the United States Government.

Mason and Hanger Co. (subcontractor).—This concern was organized with offices in Frankfort, Ken. They were formerly railroad contractors, and the records disclose an overpayment in fees of $826,456.60. It will be necessary to make a thorough investigation of their books, as they purchased independently of the Du Pont Engineering Co. The latter however paid the amounts of Mason & Hanger Co.'s creditors, as shown on the face of the invoice. The ordnance department has taken exception to the above amount. Other exceptions were as follows: Inapplicable administrative expenses (I. E. du Pont de Nemours Co.), $181,872.26; shop orders (contractors allowed credit), $88,376.71; railroad charges (N. C. & St. L. Ry.), $110,000.00; audit of subcontracts (N. C. & St. L. & T. C. Ry.), $137,447.14; duplicate payments made to N. C. & St. L. Ry. on subcontracts, $112,081.92; pay roll overpayments, $61,591.94; making a total of $1,507,826.57. These items cannot in any sense of the word be allowed, as they are contrary to the provisions of the contract or any subcontracts approved by the ordnance department, or signed by the contractor and subcontractor, are errors of a class for which the United States is not responsible.

Exceptions are taken to the following items: Meritorious bonus, $151,355.00; extra compensation, wages & salaries paid after discontinuing services (no services rendered), $286,319.47; transportation and moving of household goods after discharge of employees, $270,355.77; making a total of $708,030.24. A portion of these items may be accepted by a claims board acting for the Secretary of War, but the exceptions are taken on the basis that these were costs or damages incurred after suspension, and should not have been incurred except with the assent of the proper administrative officials of the United States, and that this assent should have been given in advance of any action by the contractor with relation thereto. Also part of this expense is of a class that has been disallowed by the controller. Total exceptions in both classes $2,215,856.81.

Statement.—It will be understood that there are very large sums in addition to this that will be disallowed on account of the impossibility of accepting them as a charge properly applicable to this contract, such as gifts, unlawful legal expenses, losses on account of criminal acts of the contractor's employees, incidental expenses of a purely personal nature, claims for personal expenses not supported in any way (impossible of support), claims for personal expenses over and above any reasonable charge, and other items of detail. It is estimated that such items as these will in the aggregate amount to something over $3,000,000. Under date of Sept. 3, 1920, the auditor for the War Department suspended payments of Walter F. Baylis, Capt., U. S. A., disbursing officer, Du Pont Engineering Co., as follows:

"Payment to Du Pont Engineering Co. under contract P4755–711–E. All vouchers from you voucher 564, Oct. 18, to voucher 868, Dec. 1918, inc., are suspended for properly receipted invoices for materials purchased, itemized statements of expense account, and receipts for same, certified copies of subcontracts, if any, and other proper evidence should be secured and forwarded to this office in support of payment."

Major Guise states: "Under date of Nov. 30, 1920, this covers practically all payments made by said disbursing officer against said contract. In addition to the above has information that the advance of $18,750,000 made by Capt. Shepard has also been suspended".

Your accountant is of the opinion that a statement should be prepared beginning with voucher 564 down to and including voucher 868, showing the date, when paid, to whom paid, what for, whether supporting schedules when paid, who authorized payment, no. of check, name of bank, if vouchers were subsequently cleared, on whose authority, and for what reason.

Cambria Steel Company.—It would appear that a shipment of steel was made from Johnstown, Penn., amounting to $15,015.82, for which invoices were rendered giving the car numbers and waybills. Seven days later another alleged shipment was made giving the same car number and amount. Both of these alleged shipments were paid for. It will be necessary to make a complete analysis of the Cambria Steel Company's account at point of origin, and compare same with the account on the Du Pont Engineering Co.'s books at Wilmington, Del., as it is inconceivable that the steel company could make two shipments identical in weight and amount in the same car in a space of seven days, as the particular car being shipped by freight could not be returned from the plant to point of shipment and again arrive back at the plant with another shipment in one week.

The foregoing indicates some evidence of criminal and civil liability and that if an investigation of a thorough nature were made millions of dollars might be recovered by the Government.

The investigation to be made would have to be concentrated at three points, viz.: Nashville, Tenn.; Wilmington, Delaware; and Philadelphia, Pa.

Nashville.—At the Old Hickory plant there are a number of books and records by no means complete, for the reason that some of them have been destroyed, but there are many files, containing copies of the Mason & Hanger invoices (subcontractors), carbon copies of work vouchers of the Du Pont Engineering Co., and miscellaneous material on construction. These, however, are only about 60% of the total material receipt cards, both original and fabricated (made up), freight records of railroad companies, automobile purchases (local dealers), books of hospitals and undertakers, books of local lumber companies, and the Du Pont Engineering Co.'s bank account.

In the opinion of your accountant the investigation of these various concerns will have to be made in order to run out the various leads that we have before us.

Wilmington.—At the office of the Du Pont Engineering Co. are supposed to be the original vouchers, cancelled checks, private wires, correspondence, and all other supporting papers pertaining to the construction and operation of the Old Hickory powder plant. All vouchers and cancelled checks must be examined and carefully scrutinized to determine whether any collusion or overpayments have been made.

Philadelphia.—At the Frankford Arsenal are supposed to be all the records of the Ordnance Department in connection with the construction of the plant at Nashville. These records must be thoroughly investigated.

The investigation.—In the course of the investigation it will be necessary to ascertain the names of the subsidiary companies of the Du Ponts, then examine in those companies from whom the greater volume of purchases was made, ascertain their profits, and show how they were related to the general Du Pont Company. It will also be necessary to determine from the books of the subsidiary companies whether the prices charged to the Government were in excess of those charged to private individuals. We must ascertain from competitors whether their prices for the same class of materials were less than those charged by the Du Pont subsidiaries.

It will be necessary to check up the car records of the various railroad companies for all payments of freights, rates, etc. This will entail considerable work. We must determine whether or not the funds in bank on deposit earned interest on, balances, and, if so, did the Government receive the benefit thereof. In the banks in which funds were deposited, we must ascertain whether they were Du Pont banks, or those with which they were affiliated. We must ascertain whether or not the Du Pont Engineering Co. in paying bills took advantage of all cash discounts and whether the Government received the proper credit.

Apparently very few claims, if any, were made for shortages, but a cursory examination shows that no attention was paid to claims for shortages, and when a shortage was called to their attention it was disregarded and the invoice was paid in full.

Special agent in charge Towler, at Nashville, wrote to a number of the consignors of material relative to damage claims and received replies from about 75 that no claims were filed against them for shortage.

It also appears that large bonuses were paid to employees and that a number of the employees were overpaid. With reference to bonuses one voucher alone amounted to $250,000.00.

In many instances it was found that employees of the powder plant were subsequently employed by the Du Ponts and that a number of those employed at the plant were previously in the employ of the Du Ponts.

It further appears that at the signing of the Armistice the Du Ponts began unloading their surplus stocks on the Old Hickory plant, but these transactions will have to be thoroughly investigated to determine when the material was ordered and whether same was properly charged to the plant.

A number of items properly chargeable to operation were incorrectly charged to construction. This would make construction cost high, and operation cost low, which would be to their advantage. There are many matters to be gone into, but this memorandum will give you an idea of the general situation.

In the proper conduct of this investigation it will be necessary to have at least ten special agents to run out the various leads, and as many accountants, if not more, to work at the various places in checking out the many voluminous records involved.

It is further suggested that the investigation be started simultaneously at the various places so that there will be no opportunity to destroy or misplace records.

In conclusion the men who are selected to make this investigation must be thoroughly reliable and experienced in this class of work.

GEO. W. STORCK,
Expert bank accountant.

EXHIBIT NO. 1191

[Exhibit A]

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., August 5, 1925.

00160/28592,
Du Pont Co.

The Honorable, the SECRETARY OF WAR.

MY DEAR MR. SECRETARY: Heretofore you have referred to the Department of Justice for study and investigation certain criminal charges against the Du Pont Engineering Corporation in connection with its performance of certain war contracts with the Government. A reference of the case to this department was also recommended by a committee of the Joint Board of Survey, of which the chairman was the Assistant Secretary of War.

Since, however, you indicated in your letter of May 23, 1924, that upon the determination of the question of criminality you desired the case returned to your department for administrative settlement of the contracts involved, I have ordered the files returned to the War Department.

An extensive investigation of the charges of fraud or crime above referred to has failed to disclose reasonable or probable grounds for believing that during the performance of the contracts in question the Du Pont Company committed the offenses with which it has been charged, or any crimes, and in my opinion there is no warrant either for further investigation along these lines or for the institution of proceedings against the company based upon charges of fraud or crime.

However, in the course of this department's investigation, its attention was called to and it made a study of certain expenditures of the Du Pont Company. On the basis of the information before me, I have concluded that there is grave doubt as to such expenditures being properly chargeable against the Government. I therefore felt it my duty to call them to your attention, especially since, in your letter of May 23, 1924, you invite my advice on any phases of the matter which may become the subject of special study by this department.

The expenditures which I have in mind may be classified as follows:

1. So-called "Meritorious bonuses."
2. Thirty days' pay on discharge of men employed on the work.
3. Return transportation and moving expenses furnished employees to the places from which they had come in order to engage in the work.

Payments made to discharged employees for living expenses after they arrived at their home stations and the cost of returning their families to their homes, would, in my opinion be governed by the same principles as the items numbered 2 and 3 above.

4. Payments to banks for losses which the banks sustained in establishing branches at the points at which work was being performed under the contracts.
5. A sum variously stated as $45,572.27 or $42,354.98, being the excess of the price of certain cotton shavings above the price prescribed by the contract.
6. Expenses incurred by the contractor in the course of the Government's audit.

My reasons for believing that on the basis of the information in my possession there is grave doubt as to propriety of charging the Government with the expenditures above mentioned, are very briefly as follows:

1. Meritorious bonuses. Some reasonable sanction for each payment must be found within the contract or else such payment was not properly chargeable to the United States. The language of article II seems to have been relied on by the Du Pont Company as supporting this class of bonus payments. Article II, it will be remembered, deals exclusively with the construction of the plant, not with its operation after completion. Article II reads as follows:

"The contractor is hereby authorized to do all things necessary or convenient in and about the construction of the plant including the purchase and procurement of all materials and labor necessary therefore, * * *. In order that the contractor may expedite the work of construction it may, in its discretion, from time to time, pay extra compensation for materials or services subject, however, to the approval of the contracting officer, which extra compensation shall be charged to the cost of construction."

I will not discuss in detail the reasons for my conclusion that article II applies to construction only and not to operation, but if I am correct in this, it follows that no authority can be found therein for any part of these bonus payments made to operating, as distinguished from construction, employees.

As far as such payments to construction employees are concerned, I have seen no evidence except the unsupported statement of the company that such bonuses were paid pursuant to any agreement between the recipients and the company, made when such recipients were employed or subsequently, to the effect that at the end of the work they would receive a bonus for meritorious services. If it turns out that no such agreements were made or can be proved, then I question whether the Du Pont Company could charge the amount of this bonus against the Government on the theory that it expedited the work. Moreover, on the company's own statement, so far as my information extends, the only promises which they claim to have made to their employees were that the men transferred from E. I. du Pont de Nemours Company to the Du Pont Engineering were not to lose their status as employees of the former or their eligibility to a bonus or extra compensation under the system prevailing in the former company. But I call your attention to the fact that the system of bonsuses of the parent or E. I. du Pont de Nemours Company did not contemplate the payment of cash bonuses under such circumstances as those arising under the Du Pont Engineering Company's contracts and did not involve the positive obligation to pay bonuses at all. The parent company did pay cash bonuses as a reward for inventions or conspicuous service, but these were paid on an entirely different theory from the bonus now in question.

Article II authorizes the payment of extra compensation for the purpose of expediting the work. A bonus after the conclusion of the work pursuant to no prior agreement coud not have had that effect. Except article II, I find nothing in the contract which expressly or impliedly permits the payment of bonuses or extra compensation, or which, in the absence of previous agreement with the recipients, would make the bonus contracts legal charges against the United States.

I realize that the contracting officer approved the meritorious bonus before payment and approved or ratified the other bonuses after payment under the contract. However, he had no authority to approve payments of extra compensation unless made to expedite the work of construction. If not made for that purpose, his approval would be without warrant in the contract. Nevertheless, in view of the broad terms of the contract, the length of time which has elapsed since the payments were made, the enormous task performed by the contractor, the urgent necessity for not disturbing the labor market by turning loose upon it numbers of penniless men, and the possibility that under such circumstances a court might be inclined to indulge every intendment in favor of the Du Pont Company, the contracting officer's approval or ratification of the bonus payments might possibly be regarded as conclusive of the purpose for which they were made and as binding upon the Government. Accordingly, I do not feel that in case of a legal action to recover the amount of this bonus payment the Government could feel absolutely assurance of success.

2. Thirty days' pay on discharge.

3. Return transportation and moving expenses.

These two classes of bonus payments, in my opinion are governed by the same consideration as the so-called "meritorious bonus."

4. Payments to banks. Should it be established to your satisfaction that these payments were made pursuant to agreements between the Du Pont Company and the respective recipients antedating the performance by the banks of the services for which the payments were made, I think they would be proper charges against the Government. The facts presented to me, however, fall short of establishing this. One of these claims, amounting to approximately $7,000, appears to have been at one time withdrawn by the Du Pont Company itself. Another, amounting to approximately $33,000 was denied by various War Department boards and on appeal the denial was affirmed. It was paid by the Du Pont Engineering Company only after these denials. In the absence of proof, such as is not contained in the files before me, to the effect that these banks were entitled to be repaid their losses under a preexisting agreement with the Du Pont Company, I question that these payments constitute proper charges against the Government.

5. Excess price of cotton shavings. The contract prescribed limits for the price to be paid by the Du Pont Company for these shavings. The contractor exceeded this price but relies on a letter from the War Department authorizing and permitting an increase in that price. That letter, while doubtless sufficient authority for making subsequent purchases at the increased price, in my opinion does not support the contention of the contractor that the increase in price was to be retroactive.

6. Contractor's audit expenses. I suggest for your consideration that if the expenditures of the contractor in the course of the Government's audit were made primarily for the purpose, not of furthering and helping that audit and of furnishing information to the Government, but, on the contrary, of opposing the Government's audit, and of defending against and refuting such claims as the Government might raise against the company, the legality of charging the contractor's expenses in this audit against the Government would be open to serious question. This becomes a question of fact, of course, and I have not sufficient information before me to enable me to determine the matter.

You will appreciate that this letter contains only a brief summary of the reasons for my opinion as to the items mentioned. If, in the course of your administrative settlement of this case or at any other time, you desire a more full statement of these reasons, or if this Department can be of any service to you in that connection, I shall be glad to have you call upon me.

In passing, I also note that the War Department has disallowed claims of the contractor for general overhead expense of the E. I. du Pont de Nemours Company, and for an adjustment of profits on the bonus for saving amounting to $55,862.28, due to the manner in which freight between Nashville and Jacksonville, Tenn., had been accounted for by the contractor. Both of these disallowances are, in my opinion, correct under the contracts.

In conclusion, may I emphasize the fact that, in accordance with my understanding of your wishes, expressed in your letter of May 23, 1924, *this Department has made no general investigation into the payments made to the Du Pont Company in the course of its work under the contracts in question.* I am therefore making no suggestions as to the propriety of any payments except the ones above mentioned. Furthermore, *this Department has for obvious reasons made no effort to pass upon the accuracy or completeness of the War Department's audit in this case,* except that, incident to this Department's investigation of the general payments above referred to, its accountants determined the amounts paid on account of the so-called "meritorious" and "discharge" bonuses.

Sincerely yours,

(Sgd) JOHN G. SARGENT,
Attorney General.

EXHIBIT NO. 1192

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 10, 1925.

A-3897

The Honorable the ATTORNEY GENERAL.

MY DEAR MR. ATTORNEY GENERAL: I have the honor to call your attention to my letter of April 18, 1925, in matters pertaining to the indebtedness to the United States of the du Pont Engineering Company on whose bond the E. I. du Pont de Nemours & Company is surety, and to state that no reply has been received to my said letter.

This office is especially desirous of closing up the audit of the accounts of the du Pont Engineering Company, but it cannot do so until the accounts are received from the War Department, and the Secretary of War advises that the accounts cannot be transmitted to this office until the case is returned by your Department with a report of the result of its investigations as requested by the War Department. It has now been six years since the transactions out of which the du Pont Engineering Company indebtedness arose occurred, and it would seem that a final determination of all matters involved should be made as speedily as possible, and it is to this end that I am calling your attention to the unanswered letter of April 17, 1925.

In this connection I would also call attention to the statement contained in the concluding paragraph of your letter of September 10, 1924, and request to be informed of the character of such indebtedness, how it has been determined, and whether it is considered by the Department of Justice as still standing against either the du Pont Engineering Company or the E. I. du Pont de Nemours & Company.

Your early attention to this and previous letters will be greatly appreciated.

Sincerely yours,

J. R. MCCARL,
Comptroller General of the United States.

EXHIBIT NO. 1193

GENERAL ACCOUNTING OFFICE,
OFFICE OF THE COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, October 23, 1925.

(Stamped:) Recorded.

A-3897

The Honorable the ATTORNEY GENERAL.

SIR: By your letter of July 24, 1925, you informed this office that the case of the du Pont Engineering Company would probably be closed so far as your department was concerned within a comparatively short time, and that when a final determination had been made as to the matters to be reported to the War Department, you would communicate to this office the character of any indebtedness which your department considered to exist against the du Pont Engineering Company in favor of the United States, how it has been determined, and whether it is considered by your department as still standing against either the du Pont Engineering Company or the E. I. du Pont de Nemours Company.

As no further information about the matter has been received, I have the honor to request the present status of the matters before your department, and if it is possible to indicate when a determination will be reached, request is made that this office be informed about it.

The E. I. du Pont de Nemours Company is writing about matters of claim which cannot be determined until the matters pending before your department are settled. It would be appreciated, therefore, if the office may be advised at some early date.

Respectfully,

Lurtin R. Ginn,
Assistant Comptroller of the United States.

Exhibit No. 1194

[PSA/dd 70-240-187]

October 26, 1925.

Hon. Lurtin R. Ginn,
Assistant Comptroller General,
Washington, D. C.

My Dear Sir: Your letter of October 23 to the Attorney General has been referred to this office. The du Pont Engineering Company case has been transferred to the War Department for further action and for administrative determination. The amount, if any, which may be found to be due from that company to the United States, so far as this department is informed, has not yet been decided upon by the War Department.

Respectfully yours,

Paul Shipman Andrews, *Director.*

Exhibit No. 1195

[Copy]

No. ——
No. ——

Ordnance Office, Washington, D.C.,
-------------------- *Arsenal.*

The United States of America and du Pont Engineering Company

ORDNANCE DEPARTMENT

-------------------- ARSENAL

or

ORDNANCE OFFICE

Settlement contract for War Ord. P4755-711E, War Ord. P2337-1228A, War Ord. P3509-643E, War Ord. P9050-960E, War Ord. P15271-1433E

Dated October 31, 1925

This contract made this thirty-first day of October, 1925, between du Pont Engineering Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware, and having an office at Wilmington, Delaware (hereinafter called "Contractor"), party of the first part, and the United States of America, by P. J. O'Shaughnessy, Major, United States Army, retired (hereinafter called "Contracting officer"), acting by and under the authority of the Chief of Ordnance, United States Army, and under the direction of the Secretary of War, party of the second part:

Witnesseth: Whereas, certain contracts were entered into between the contractor and the United States of America, for the construction and/or operation of certain munition plants for the United States, as follows:

Contract War Ord. P4755-711E, dated March 23, 1918, for the construction and operation of a smokeless powder plant near Nashville, Tennessee;

Contract War Ord. P2337–1228A, dated April 12, 1918, for the construction and operation of a loading plant for shells and casings at Penniman, Virginia;

Contract War. Ord. P3509–643E, dated March 2, 1918, for the operation of a bag-loading plant at Tullytown, Pennsylvania;

Contract War Ord. P9050–960E, dated June 1, 1918, for the operation of a bag-loading plant at Seven Pines, Virginia;

Contract War Ord. P15271–1433E, dated October 2, 1918, for the construction and operation of a plant for the manufacture of trinitrotoluol, at or near Racine, Wisconsin;

And whereas, subsequent to the signing of the armistice on November 11, 1918, the United States suspended all of the contracts aforesaid because the need for the plants and the output thereof had ceased to exist; and

Whereas, early in the year 1919 the United States took over all of the plants, the construction and/or operation of which was covered by the contracts aforesaid, together with all machinery, equipment, and materials; and

Whereas, the contractor has fulfilled and performed all and singular the conditions, covenants, and provisions of the contracts aforesaid and all agreements and orders supplementary thereto; and

Whereas, it is in the public interest to terminate all of the contracts aforesaid, and the execution of this contract is in the financial interest of the United States.

Now, therefore, in consideration of the premises and of the mutal covenants herein contained, the parties hereto have agreed and by these presents do agree with each other as follows:

Article I. This contract supersedes and takes the place of each and all of the contracts aforesaid, and all agreements and orders supplementary thereto, all of which are hereby terminated; and wherever the words "contracts aforesaid" are hereinafter used in this agreement, said term shall include the original contracts specified on pages 1 and 2 hereof, and all agreements and orders supplementary to said original contracts, except this agreement.

Article II. The United States acknowledges that all property, both real and personal, of every character and description, involved under the contracts aforesaid has been properly accounted for by the contractor to the United States, and has been taken over by the United States.

Article III. The contractor shall forthwith pay to the United States the sum of three hundred fifty-two thousand eight hundred forty dollars and thirty-five cents ($352,840.35), which amount shall constitute full and final recoupment of all funds received by the contractor from and for account of the United States under the contracts aforesaid, the said amount being determined as of October 31, 1925, as follows:

Contract P4755–711E, "Old Hickory"

Cash advances by U. S. to May 31, 1922	$37, 329, 000. 00
Cash reimbursements by U. S. to May 31, 1922	72, 565, 801. 34
Interest and credits accruing to U. S. to May 31, 1922	383, 470. 48
Interest and credits accruing to U. S., May 31, 1922, to Oct. 31, 1925	49, 318. 16
Total credits to U. S	110, 327, 589. 98
Approved costs, construction, May 31, 1922	83, 583, 674. 72
Approved costs, operation, May 31, 1922	22, 238, 461. 51
Approved profits, May 31, 1922	1, 961, 805. 50
Refunds to U. S., May 31, 1922	1, 600, 497. 77
Approved costs, May 31, 1922, to Oct. 31, 1925	53, 493. 40
Refunds to U. S., Oct. 31, 1925	614, 150. 81
Total debits to U. S	110, 052, 083. 71
Balance due U. S. Oct. 31, 1925, contract P–4755, "Old Hickory"	275, 506. 27

Contract P2337–1228A, "Penniman"

Cash advances by U. S. to May 31, 1922	$2, 545, 629. 87
Cash reimbursements by U. S. to May 31, 1922	13, 361, 177. 64
Interest and credits accruing to U. S. to May 31, 1922	30, 239. 31
Interest and credits accruing to U. S., May 31, 1922, to Oct. 31, 1925	8, 204. 46
Total credits to U. S	15, 945, 251. 28
Approved costs, construction, to May 31, 1922	11, 922, 629. 44
Approved costs, operation, to May 31, 1922	3, 302, 139. 39
Approved profits, to May 31, 1922	399, 728. 67
Refunds to U. S. to May 31, 1922	200, 000. 00
Approved costs, May 31, 1922, to Oct. 31, 1925	1, 501. 46
Refunds to U. S., Oct. 31, 1925	55, 692. 00
Total debits to U. S	15, 881, 690. 96
Net balance due U. S. Oct. 31, 1925, contract P2337–1228A, "Penniman"	63, 560. 32

Contract P3509–643E, "Tullytown"

Cash advances by U. S. to May 31, 1922	630, 000. 00
Cash reimbursements by U. S. to May 31, 1922	1, 191, 297. 22
Interest & credits accruing to U. S. to May 31, 1922	2, 942. 26
Credits accruing to U. S., May 31, 1922, to Oct. 31, 1925	44. 42
Total credits to U. S	1, 824, 283. 90
Approved costs, operation, May 31, 1922	1, 633, 170. 35
Approved profits, May 31, 1922	188, 839. 17
Approved costs, May 31, 1922, to Oct. 31, 1925	1, 389. 90
Total debits to U. S	1, 823, 399. 42
Net balance due U. S., Oct. 31, 1925 (contract P3509–643E, "Tullytown")	884. 48

Contract P9050–960E, "Seven Pines"

Cash advances by U. S. to May 31, 1922	630, 000. 00
Cash reimbursements by U. S. to May 31, 1922	621, 709. 98
Interest & credits accruing to U. S. to May 31, 1922	4, 349. 35
Interest & credits accruing to U. S., May 31, 1922, to Oct. 31, 1925	579. 70
Total credits to U. S	1, 256, 639. 03
Approved costs, operation, May 31, 1922	1, 125, 852. 22
Approved profits, May 31, 1922	120, 354. 17
Approved costs, May 31, 1922, to Oct. 31, 1925	2, 659. 05
Total debits to U. S	1, 248, 865. 44
Net balance due U. S., Oct. 31, 1925 (contract P9050–960E "Seven Pines")	7, 773. 59

Contract P15271–1433E, "Ives"

Cash advances by U. S., May 31, 1922	$4, 200, 000. 00
Interest & credits accruing to U. S., May 31, 1922	94, 453. 34
Credits accruing to U. S., May 31, 1922, to Oct. 31, 1925	7, 915. 73
Total credits to U. S	4, 302, 369. 07
Approved costs, construction, May 31, 1922	2, 639, 150. 14
Refunds to U. S., May 31, 1922	1, 524, 000. 00
Approved costs, May 31, 1922, to Oct. 31, 1925	2. 47
Refunds to U. S., Oct. 31, 1925	134, 100. 77
Total debits to U. S	4, 297, 253. 38
Net balance due U. S., Oct. 31, 1925	5, 115. 69

SUMMARY

Contract P4755–711E, balance due U. S	275, 506. 27
Contract P2337–1228A, balance due U. S	63, 560. 32
Contract P3509–643E, balance due U. S	884. 48
Contract P9050–960E, balance due U. S	7, 773. 59
Contract P15271–1433E, balance due U. S	5, 115. 69
Total balance due U. S., Oct. 31, 1925	352, 840. 35

Article IV. Payment by the contractor to the United States of the aforesaid sum of three hundred fifty-two thousand eight hundred forty dollars and thirty-five cents ($352,840.35) shall constitute full and complete satisfaction and termination of any and all claims and demands in law or in equity by or on behalf of the United States against the contractor, and/or by the contractor against the United States, in connection with each and all of the contracts aforesaid.

Article V. This contract shall not become valid and binding on either party hereto until the approval of the Secretary of War is noted at the end hereof.

In witness whereof, the parties hereto have caused this agreement to be duly executed, in septuple, by their authorized officers as of the day and year first above written.

Attest.

DU PONT ENGINEERING COMPANY,
Contractor.
By (S) H. M. PIERCE, *President.*
(S) E. A. HOWARD, *Assist. Secretary.*
UNITED STATES OF AMERICA,
By (S) P. J. O'SHAUGHNESSY,
Major, U. S. Army, Retired, contracting officer.
(S) ONALEE HALL SWAIN,

Approved.

(S) HANFORD MACNIDER,
Acting Secretary of War.

EXHIBIT NO. 1196

[File X–134]

Executive Secy.'s No. 8625 Committee
DECEMBER 18, 1922.

Report for November 1922

To Executive Committee
From Government Claims Division

In recent months we have listed in the reports as outstanding certain amounts representing claims on suspended war contracts and a few counter claims which we were forced to satisfy under protest, in order to obtain payment of much larger sums of money on other suspended contracts. In addition to these accounts others have developed on which we are attempting, with the assistance of the legal department in most cases, to make collection. As of November 30th the accounts on which we were working are as follows:

Now the subject of suit in Court of Claims

Claim, contract 604, powder boxes		$726, 551. 35

Claims and accounts now before Comptroller General, on which payment is withheld

Claim, contract 443, tetryl	$10, 967. 60	
Claim, contract 577, tetryl	1, 837. 92	
Claim, contract 500, amm. picrate	972. 86	
Claim, contract 572, amm. picrate	3, 060. 53	
Storage contract 287	7, 300. 00	
Storage contract 307, repairs	1, 313. 72	
Storage contract 307, storage	82. 78	
Refund of counterclaim 591	94. 65	
Refund of counterclaim 380	8, 205. 60	
Refund of counterclaim 381	2, 830. 50	
300 spools of wire	159. 98	
Carboys retained by Edgewood Arsenal	4, 186. 00	
Guard Service for Navy at Carney's Pt	5, 400. 00	
Storage of powder for Navy	3, 064. 73	
		49, 476. 87

Voucher with Phila. District Salvage Board for Approval and Transmission, to disbursing officer

Overdelivery of solid caustic soda at Government selling price less 2½%	356. 95

Claim against Quartermaster's Dept., U. S. A. for rent

Claim of Du Pont Bldg. Corp. for occupancy by U. S. of quarters at Vandever Ave. in July and August 1922	500. 00
Total	$776, 885. 17

Demands from United States on which payment has been refused by Du Pont Co., but not dropped by the United States

Alleged damage to Gov't. stock of linters, shavings, and refined cotton fiber at Hopewell	$86, 321. 84
Payments previously made by U. S. for repairs to buildings at Hopewell used by U. S. for storage of soda, contract #307	3, 504. 27
Shortages occurring during storage of Gov't. nyoil and castor oil at Pompton Lakes	1, 164. 96
Shortage in shipment of Gov't TNT to Penniman	17, 952. 00
Shortage in shipment of Gov't ammonium nitrate to Penniman	360. 81
Alleged shortage of 31 4.7" shells in shipment from Penniman	951. 70
	110, 255. 58

Counter claims by U. S. on which settlements have been offered by Du Pont but not yet accepted by United States

Shortage of sulphuric acid and overage of nitric acid at Hopewell	$4, 875. 96
Shortage of hull shavings stored at East St. Louis	2, 319. 29
	7, 195. 25

* * * * * * *

We have not completed the testimony on the suit covering the claim under contract 604 for the reason that it has not been convenient for the Government attorney to meet with us. It is now planned to complete the taking of testimony early in January 1923.

* * * * * * *

Of the claims and accounts before the Comptroller General of the United States for settlement and payment, some have been tentatively allowed in whole or in part, but payment withheld on account of the Du Pont Company being surety for Du Pont Engineering Company. We are endeavoring to assist the legal department in the preparation of briefs on these claims and accounts with the idea of having Comptroller General approve, if he will, the amounts due, so that when the Engineering Company's accounts are settled the Du Pont Company's bills can then be paid. In addition, we are endeavoring to assist the legal department in the preparation of a brief or appeal to the Comptroller General, asking that the Du Pont Company's accounts be paid for the reason that the United States is protected in the case of the Du Pont Engineering Company by Du Pont Company's bonds on the advances made to the Engineering Company. We believe it unlikely that the Comptroller General will release any money to the Du Pont Company so long as the Du Pont Engineering Company's accounts are unsettled, and in the decisions of earlier Comptrollers and in certain decisions of the courts, the Comptroller has some authority for this action. So long as the Comptroller follows the plan of holding up payment of money to the Du Pont Company it would be a misfortune for the Du Pont Company to have its unpaid accounts with the United States exceed the amount of unspent United States money held by Du Pont Engineering Company. Should the Du Pont Company's unpaid accounts exceed the sum of money held by the Du Pont Engineering Company the Du Pont Company might then be forced to sue in the Court of Claims for the amount due and the Government's reply would undoubtedly throw the Du Pont Engineering Company's business into the Court of Claims instead of into the local Federal court, where it would be if the United States eventually sued the Du Pont Engineering Company.

* * * * * * *

The demands by the United States on which we have refused payment are familiar to the committee by our earlier reports. Nothing new has transpired in the case of any of the items.

* * * * * * *

For over a year we have had outstanding an offer to settle with the United States on the shortage of sulphuric acid and overage of nitric acid at Hopewell, but to date no officer or representative of the United States seems inclined or empowered to settle. We have recently made an offer of settlement on a shortage of hull shavings in the amount that was stored at East St. Louis, Ill. It develops that there were less shavings stored there than were paid for by the United States. In other words, our claim was too large. In view of the fact that the United States is holding up payments to the Du Pont Company we plan to refuse payment in cash of these two settlements unless in the meantime the United States has resumed cash payments to us.

The expense of this division for the month of October was $1,361.95, and to date for the year 1922, $7,514.47.

Du Pont Engineering Company

The Du Pont Engineering Company's differences with the War Department are as follows:

Mason & Hanger fee	$179, 259. 79
Du Pont Co. charges for departmetal expense	126, 071. 30
Difference in calculation of profits	55, 862. 28
Ford car purchased for employee of Rust Eng. Co., payment to du Pont Engineering Co. not located	515. 76
Total	361, 709. 13

In addition to the above the Du Pont Engineering Company's books as of May 31, 1922, showed differences of $27,622.20, which it is proposed to accept in the interest of settlement if the War Department will make settlement on a basis that can be accepted.

* * * * * * *

Last month it was reported that the Assistant Secretary of War declined to revise his arbitrary disallowance of $179,259.79 of the fee paid to the Mason & Hanger Co., on the subcontract work at Old Hickory. The Assistant Secretary thought that the second contract with Mason & Hanger made after the change in the contract between the Engineering Co. and the United States should have cut the Mason & Hanger fee from 5% to 2½% on new work, and therefore, made this disallowance.

This question was taken by Mr. Haskell and Mr. Gregg to Mr. Weeks, the Secretary of War with the request that the Secretary lay the facts before the Attorney General of the United States with the request for an opinion and advice. A brief presenting the facts and our arguments was left with the Secretary, who promised to think it over and decide. The impression was obtained that the Secretary had previously decided that he would not reverse the Assistant Secretary, but seemed somewhat nonplussed when he was asked by us to seek other counsel and was not directly requested to review and revise the Assistant Secretary's opinion. We cannot foretell the Secretary's action. He may send it to the Attorney General or he may not.

The other item of $126,071.30 has been appealed to the Secretary of War and disallowed by him. We have not yet said whether we are willing to accept the disallowance.

The other two items of $55,862.28 and $515.76 we propose dropping from the list of differences, for we have little chance of winning any appeal from these disallowances.

It should, of course, be remembered that in case no settlement is effected by amicable procedure and in the event that the Engineering Company's business is finally drawn into the courts either by the United States or by us, we plan to reinstate and stand for reimbursement by the United States of all of the items on which we have agreed to accept disallowance in the interest of settlement, excepting, of course, those items where some mistake was involved or where there was no authority under the contract for the kind of an expenditure that was made.

* * * * * * *

Funds on hand were: November 30, 1922, Government, $947,674.96; company, $12,008.37.

The expenses of this division of the Du Pont Engineering Company for October were $1,262.89 and to date for the year 1922, $24,388.40. Arrangements have been made for the reduction of salary expense by the loan of certain employees to the Du Pont Company. It is not advisable, in our opinion, to make any further permanent reduction in this force until the company knows how much work will be involved before settlements are finally effected.

Respectfully submitted,

GOVERNMENT CLAIMS DIVISION,
E. C. BRITTON.

Approved.

H. G. HASKELL, *Vice President.*

The following letter from Mr. Gregg is entered into the record in connection with the testimony of Arthur Carnduff. See text, p. 3232.

E. I. DU PONT DE NEMOURS & COMPANY, INC.,
LEGAL DEPARTMENT,
Wilmington, Delaware., December 28, 1934.

SPECIAL COMMITTEE OF THE UNITED STATES SENATE
INVESTIGATING THE MUNITIONS INDUSTRY,
U. S. Senate Office Building, Washington, D. C.

(Attention: Hon. Gerald P. Nye, Chairman.)

DEAR SIRS: On December 14, 1934, your committee called as a witness Mr. Arthur Carnduff, who in 1923 was a special assistant to the Attorney General in the War Transactions Section, Department of Justice. Mr. Carnduff then testified that at a private executive and confidential hearing held late in the year 1923 before a subcommittee on ordnance of the General War Transactions Board, Maj. R. R. Farr made certain statements which, an examination of the record of that hearing discloses, Major Farr did not make.

Major Farr, as special representative of the Assistant Secretary of War, was placed in charge of the War Department auditors from July 1921 to the end of May 1922 engaged in the reaudit of expenditures made by du Pont Engineering Company in connection with the construction and/or operation of certain Government plants, including the construction and operation of the Old Hickory smokeless powder plant.

Mr. Carnduff erroneously testified before your committee that Major Farr had stated at said confidential hearing before said Board that a spot check was made of expenditures and that approximately one in ten vouchers were checked on the review and reaudit.

Mr. Carnduff's testimony in that connection is as follows (vol. 23, p. 5248):

"Mr. HISS. Will you describe the kind of audit that was made by Major Farr?

"Mr. CARNDUFF. I can only describe that from Major Farr's testimony before this Board, and I have every confidence that his testimony was accurate. He stated that a spot check was made of expenditures, and he stated that approximately one in ten vouchers were checked on this review and reaudit."

At no time prior to Mr. Carnduff's appearance as a witness before your committee had any representative of either E. I. du Pont de Nemours and Company or du Pont Engineering Company an opportunity to inspect the minutes of said private and confidential hearing, hereinbefore referred to. Following Mr. Carnduff's testimony, and at my request, your chairman very kindly addressed a letter to the Attorney General stating, in substance, that your committee had no objection to my inspection of said transcript of testimony. The Attorney General granted me permission to examine such transcript, which examination I made on December 21, 1934.

Upon examination of Major Farr's statements before said subcommittee of said Board, I found that Major Farr did not make the statement that only a spot check was made of expenditures or that one in ten vouchers were checked on the review and reaudit, as attributed to him by Mr. Carnduff in his testimony, above quoted, before your committee. Upon examination of the statements made by Major Farr before said special committee, it will be found that he stated in effect, as follows:

That he had heard *rumors* to the effect that only a 10% audit had been made of the *material receipt* vouchers involved in the construction and/or operation of the several plants, including the construction and operation of the Old Hickory smokeless power plant;

That he (Major Farr) thereupon took the matter up with Mr. J. R. Peebles, contracting officer, du Pont engineering contract unit, who had been engaged in the reaudit of expenditures made by du Pont Engineering Company prior to the time that he (Major Farr) was placed in charge of such reaudit;

That he (Major Farr) thereupon requested Mr. Peebles to furnish him with a report of the extent to which *material receipt vouchers* had been audited by the War Department auditors engaged in the reaudit;

That thereupon Mr. Peebles in October 1921 reported in writing to him (Major Farr) the extent to which the *material receipt vouchers*, including those applicable to the construction and operation of the Old Hickory smokeless powder plant, had been audited (Mr. Peebles' memorandum was read by Major Farr at the hearing before the subcommittee of said board and is quoted in the minutes);

That at that time, October 1921, Mr. Peebles reported to him (Major Farr) the extent to which *material receipt vouchers*, including those applicable to the construction and operation of the Old Hickory smokeless powder plant, had been audited up to that time, viz, October 1921;

That as to the construction and operation of the Old Hickory smokeless powder plant, Mr. Peebles reported to him (Major Farr) that the audit of the *material receipt vouchers was then 90% complete*, and that Mr. Peebles also gave him the percentages of completion of the audit of the *material receipt vouchers* applicable to the other plants constructed and/or operated by du Pont Engineering Company for the Government. (It may be stated here that the reaudit by the War Department forces was inaugurated in October 1919 and continued up to the end of May 1922 or a period of over 2½ years.)

Major Farr further stated, as appears in the minutes of the hearing before said subcommittee of said Board, that from 150 to 175 men were engaged in the reaudit of expenditures made by du Pont Engineering Company, with a portion of such forces being located in Wilmington, Delaware, and another portion at the several plants, including the Old Hickory smokeless powder plant.

Therefore, it is clear that Mr. Carnduff's testimony before your committee—that Major Farr had stated before said subcommittee of said Board that only a spot check was made of expenditures, and that approximately one in ten vouchers was checked on the review and reaudit—is grossly in error. However, Mr. Carnduff's testimony on that point was broadcast through the newspapers throughout the country.

The record of the statements made by Major Farr before said subcommittee of said Board, shows that in fact a substantially complete reaudit was made, not only of the *material receipt vouchers*, but of all other expenditures made by du Pont Engineering Company. In view of the erroneous testimony given by Mr. Carnduff before your committee, I respectfully request that your committee examine the record of the statements made by Major Farr before said subcommittee of said Board.

I also respectfully repeat the request which I made in open session before your committee that Major Farr be summoned to appear before your committee.

I also respectfully request that this communication be included in and made a part of the record of the hearings before your committee.

Very respectfully,

W.

The following record of a private executive and confidential hearing held before a subcommittee on ordnance of the General War Transactions Board is offered in connection with the testimony of Arthur Carnduff (see text, p. 3232):

[EXECUTIVE SESSION]

OLD HICKORY INVESTIGATION

(Room 3538 Munitions Building, Washington, D. C., Thursday, May 10, 1923, Friday, May 11, 1923)

Proceedings had and testimony taken in executive sessions before subcommittee on ordnance of the General War Transactions Board.

INDEX

Statement of— Page
Hiram Barnes Guise 13, 166
G. E. Youmans 87
J. R. Peebles 132
R. E. Bowman 157
R. R. Farr 225
Wallace G. Kileen 271

1 OLD HICKORY INVESTIGATION

THURSDAY, MAY 10, 1923, 11:30 O'CLOCK A. M.

ROOM 3541 MUNITIONS BUILDING,
Washington, D. C.

Proceedings had and testimony taken before subcommittee on ordnance of the General War Transactions Board, composed of the following members: Honorable Dwight F. Davis, Assistant Secretary of War, chairman; Major General C. C. Williams, Chief of Ordnance; Henry W. Anderson, Esq., representing the Department of Justice.

Present: Colonel J. A. Hull, executive officer of the War Transactions Board; Colonel F. W. Coleman, of the Finance Department; Arthur Carnduff, Esq., special assistant to the Attorney General; James Cameron, Esq., director of audit of the Department of Justice; A. V. McLane, Esq., United States District Attorney, Nashville, Tennessee; Major J. G. Booton, Ordnance Department, United States Army; Major P. J. O'Shaughnessy, Ordnance Department.

The CHAIRMAN (Assistant Secretary of War, Hon. Dwight F. Davis). Gentlemen, this is a meeting to consider certain matters which are before the subcommittee on ordnance of the War Transactions Board. I am going to
2 ask Colonel Anderson, representing the Department of Justice, to make
an announcement in regard to the procedure to be followed at this hearing.

Mr. ANDERSON. Mr. Chairman and gentlemen, the Board have held a conference, and the Secretary has asked me to state its conclusions. The matter for investigation is in connection with the construction of the Old Hickory plant at Nashville, which is before the Board for survey, the subcommittee consisting of General Williams and myself and the Secretary as ex-officio member.

It has been determined by the Board that in view of existing circumstances and the character of the survey they wish to make, that they will hold meetings in executive session. That the witnesses, or the persons who are willing to make statements voluntarily to the Board, will be called into the committee to give their statement, which will be confidential and will be for the use of the committee only. There will be present in this investigation, which is purely a governmental investigation, the representatives of the Government who are investigating this matter, and who desire to present to the committee any facts they have, and in addition, at the proper time, any representatives of the du Pont Engineering Company who desire to appear to explain any aspects of the matter will be given opportunity to be heard by the committee, to the end that the full facts may be disclosed.

But in the existing circumstances the Board has determined, after careful consideration, that in the interest of the Government it is not desirable to
have an open or public hearing. I understand, Mr. Chairman, that you
3 have decided that we will have the hearing in the Chemical Warfare
conference room, to which we will now go, and any who are interested may remain here and we will send out for them if we wish to have them appear before us.

The CHAIRMAN. Well, the committee will adjourn to the Chemical Warfare conference room in the eighth wing. And you gentlemen may make yourselves comfortable. I am sorry to discommode you, but if you will make yourselves comfortable we will give everybody an opportunity to be heard.

(Thereupon the committee adjourned to reconvene in executive session in room 3538 Munitions Building.)

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4 EXECUTIVE SESSION

OLD HICKORY INVESTIGATION

THURSDAY, MAY 10, 1923, 11:40 O'CLOCK A. M.

ROOM 3538 MUNITIONS BUILDING,
Washington, D. C.

Proceedings had and testimony taken in executive session before Subcommittee on Ordnance of the General War Transactions Board, composed of the following members:

Hon. Dwight F. Davis, Assistant Secretary of War, chairman; Maj. Gen. C. C. Williams, Chief of Ordnance; Henry W. Anderson, Esq., representing the Department of Justice.

Present: Col. J. A. Hull, executive officer of the War Transactions Board; Col. F. W. Coleman, of the Finance Department; Arthur Carnduff, Esq., special assistant to the Attorney General; James Cameron, Esq., Director of Audit of the Department of Justice; A. V. McLane, Esq., United States district attorney, Nashville, Tenn.; Maj. J. G. Booton, Ordnance Department, United States Army; Maj. P. J. O'Shaughnessy, Ordnance Department.

The CHAIRMAN. Colonel Anderson.

Mr. ANDERSON. Mr. Carnduff, who do you want to call first?

Mr. ANDERSON. Mr. Carnduff, who do you want to call first.

5 Mr. CARNDUFF. Mr. Chairman, I desire to make an opening statement
which will go into the record, and which will contain the salient facts of the investigation as ascertained by the Government audits and reports. They may be taken as true. I make this opening statement with the idea of expediting the testimony, after which I desire to call Major Guise, formerly contracting officer.

I think at this time it would be pertinent to ask Mr. Youmans, the corroborating witness, to step outside a few minutes, and also Major Farr, who is interested, so that Mr. Guise may give his testimony in confidence.

Mr. ANDERSON. Very well.

As the chairman asked me to discuss the question of procedure here, I would like to state that the procedure before this Board is absolutely confidential. While nobody will be sworn, it will have all the elements of secrecy and of confidence that a grand jury investigation would have. Everyone present is supposed to be under pledge not to disclose anything that takes place before the Board, either its method of procedure, or anything that may be said, and no witness will be supposed, under any circumstances, to tell outside of the Board room anything that he testifies to in this room. While it has not the legal formality of a grand jury, it has all of the moral obligations of a grand jury.

Mr. Carnduff.

Mr. CARNDUFF. Mr. Chairman and gentlemen. In order to expedite matters I will make a brief opening statement which will contain the salient facts of
the investigation, a statement based on Government records.

6 The du Pont Engineering Company, by a formal contract, dated March
23, 1918, agreed to construct and operate for the United States a smokeless-powder plant at Nashville, Tennessee, of nine units, having a total capacity of 900,000 pounds per day. The estimated cost of the plant was originally

$75,000,000, but on the second day of November 1918, such estimate was formally increased to $90,000,000. The approved items expended under this contract aggregate $107,609,614.33, $83,583,674.72 being for construction and $24,200,267.01 for operation. The plant was completed to a degree of about 85 percent, six units being in operation and 35,538,345 pounds of powder produced.

The contract provided that the contractor should receive as reimbursement for the construction of the plant a fee of $1.00 and no more, but that the United States should reimburse the contractor for all costs and expenses of every character and description, and should, upon the execution of the contract, advance to the contractor, without interest, $18,750,000, and should promptly pay all costs and expenditures upon receipt of satisfactory evidence thereof until such payments plus the said advance payment should equal the estimated price, and that the United States should, upon the completion of the contract, pay or receive back any approved excess cost or deficiency cost, as the case might be. The contractor was to build the plant with the utmost speed and thereafter operate it for a theoretical period of 54 months if necessary.

In the operation of the plant the United States was to pay all costs,
7 both labor and material, of every nature, and was to pay the contractor
the profit of 3½ cents per pound upon powder manufactured plus a bonus conditioned on manufacture at less than a base price, which base price for the various grades was 44½ cents, 45½ cents, 52½ cents, 56½ cents per pound conditioned on certain base prices of essential materials. And the United States was to advance to the contractor $18,945,000 in three quarterly payments as an operating fund, to be absorbed as powder was delivered, and was to pay the actual cost, plus the profit, as acceptances of the powder were consummated.

The contract provided that the contractor should keep complete records, at all times accessible to the United States, and that the United States might examine the work as it progressed and should audit all accounts. The contractor was authorized to do all things necessary or convenient, and to pay extra compensation when approved by the contracting officer of the United States, and to sublet its work when so approved, and was to use its best endeavors to construct the plant as quickly as possible.

In consummation of the contract, the plant was built with incredible speed. An average force of 40,000 people was employed in the construction, and as a part of the contract, a small city was built to house the construction and operation personnel and their families. Of course production of powder ceased after the armistice, and the plant now stands near Nashville, Tennessee, a source of litigation between the United States and a private corporation which purchased the same—such matter being irrelevant to the present investigation.

8 From time to time during the active period of construction and operation, and almost continuously thereafter, various charges of fraud and irregularities have been made, and numerous questions as to reimbursements to the contractor of expenditures incurred have arisen. An audit of the transaction was commenced by the War Department in an effort to effectuate an accounting of the transaction, and numerous disputes, controversies, and claims were presented for decision, but no pronouncement upon the same was ever had by a court or by litigation. On May 31, 1922, a report was made by War Department officers and officials to the War Department, but same was never referred to the Department of Justice. Various charges, reports, and complaints were made to the former United States attorney at Nashville, the Honorable Lee Douglas, and the attention of the Department of Justice was invited to the situation and to complaints received in November 1922 by the Honorable A. V. McLane, United States attorney at Nashville; whereupon a preliminary survey of the situation was made by certain personnel of the Department of Justice, who heard testimony on serious charges of irregularities, who ascertained that there was apparently over $500,000 still retained by contractor, who recommended that it be ascertained if there had ever been a general and complete accounting between the contractor and the United States, and that it should be determined whether such accounting ought properly to be reviewed, considering the magnitude of the transaction and the enormous cost of a re-audit or further investigation.

It has therefore been decided to invite all parties having knowledge of
9 the transaction to present their views freely at this hearing, so that
such further procedure may be determined as may be necessary to

afford a just and proper determination of the questions involved so that expense of further investigation may be incurred only if justifiable and so that the interests of the United States may be carefully safeguarded.

To that end I have invited to be present the officials who functioned in the matter, and such witnesses as we deemed pertinent and relevant, and with your permission I will now ask Major Guise, who functioned in this matter, to tell his story to you.

In this connection I would like to invite your attention to the fact that the real problem in this case is reimbursement of the du Pont Engineering Company. They were paid by presenting to the Government a voucher or a statement that they had expended a certain sum. Upon approval of that voucher the amount claimed was paid them. During all this time they had as a construction fund advanced $18,750,000, and as an operating fund advanced $18,950,000 additional. But of course it was necessary for them to secure from the Government payment of items as they paid them. Therefore the testimoney of Major Guise as to how this reimbursement proceeded is extremely pertinent.

The Department of Justice will show you during the course of this hearing that when the plant was being constructed only one voucher in ten was audited. In other words, if ten bills were presented to the United States at the plant, one was arbitrarily taken out and checked, and if it were found correct, the other nine were passed pro forma.

10 It will also be shown that no economical check of freight rates was made. That thousands of dollars was paid for freight, and the overpayments and excess payments never paid back to the United States.

They will show charges of gross overcharges in the matter of cotton and cotton linters, cotton being an essential component of smokeless powder.

They will also present to you evidence of gross irregularities in payments made at this plant, payment of labor, in administration, and in payment of bonuses to employees, very large bonuses, thousands of dollars.

Now these matters are extremely important, because it was to the interest of the contractor to complete the plant as speedily as possible, regardless of any expense, so that the contractor then might get into production and commence earning profit.

General Williams. I will object to that statement, Colonel Anderson. The real reason why the question of time was so important was that these supplies were needed for the supplying of troops.

Mr. Carnduff. Exactly.

General Williams. And not at all that it was for the question of the du Pont Company getting into production so that their bonuses might commence.

Mr. Carnduff. General Williams, we quite appreciate that the production of powder was a prime element.

General Williams. No; the element. The controlling element.

11 Mr. Carnduff. But until production commenced there would be no profit for the contractor.

General Williams. Well, naturally not.

Mr. Carnduff. We agree on that.

General Williams. Why, of course. But the motive which you assign is not the real one, in my mind.

Mr. Anderson. Major Carnduff, you made a statement that the real problem was the reimbursement of the du Pont Company. You do not mean to say that the problem before this committee is the reimbursement of the du Pont Company, but rather that the investigation of the method of reimbursement is the first question that you wish to present. Of course, the problem before this committee is whether or not there are any irregularities of such character as required a further audit, and civil or criminal proceedings in the matteer, or, I should say, such irregularities as might require a reference to the Department of Justice for any action. That is really our problem.

Mr. Carnduff. Colonel Anderson, your problem is twofold here. You have on one hand the problem of fraud, criminality, irregularities. You have on the other hand the civil problem of recovery of money from the du Pont Company. The du Pont Company have this money. If we commence a civil action, our action will be to recover money they now have. Therefore the method used in the reimbursement, the justice of the reimbursement, is an important problem on the civil side.

Mr. ANDERSON. Yes; that is what you meant by saying that the real problem was the reimbursement of the du Pont Company?

12 Mr. CARNDUFF. Yes.

Mr. ANDERSON. I see.

Colonel HULL. The du Pont Company are willing to pay the amount they have on special deposit, aren't they? They admit they have Government money. They are waiting until a final determination of the amount.

Mr. CARNDUFF. The du Pont Company, I understand, are willing to pay a certain amount to the United States, based on a settlement, provided the sum is accepted as payment in full, and the controversy ended. From this amount they will deduct all costs of expenses, including the cost of this investigation, as borne by them.

Mr. ANDERSON. Mr. Chairman, with your permission I would like to ask the district attorney of Nashville, Tennessee, Mr. McLane, if he has anything to add at this time, or does he wish just to take part in the investigation and examination of the witnesses, should it be necessary?

Mr. MCLANE. I would be glad to take part in the examination of witnesses. I have nothing further to add at this time.

Mr. ANDERSON. I suggest then that we proceed with the examination of witnesses.

Mr. CARNDUFF. All right, I will introduce Major Guise. Major Guise, will you kindly sit down and tell your story.

13 STATEMENT OF HIRAM BARNES GUISE, BOSTON, MASSACHUSETTS

Mr. CARNDUFF. Will you kindly give your name, address, former relations with the Government, and present occupation to the reporter

Mr. GUISE. Hiram Barnes Guise. Formerly major, Ordnance Department, U. S. A. After concluding a tour of duty overseas I was directed to proceed to the Philadelphia district ordnance office for duty. I had two weeks' leave of absence. I arrived early in March, I should say about the first of March 1919. The chief of the Philadelphia district, ordnance district, ordered me to proceed to Wilmington, Delaware, to take over certain matters pertaining to the E. I. du Pont de Nemours & Company claims. And later, approximately April 1st, 1919, I was appointed by the district chief as commanding officer on all du Pont Engineering matters for the Philadelphia district claims board.

At about the same time I was nominated and appointed by the ordnance office as the representative of the contracting officer in all du Pont Engineering contracts. This including the Old Hickory plant, the T. N. T. plant at Racine, Wisconsin, the shell-loading plant at Tullytown, Pennsylvania, and the Seven Pines shell-loading plant.

During the time from March 1st, 1919, to approximately October 1st, 1919, I was very busily engaged as officer in charge on E. I. du Pont de Nemours & Company claims.

During this entire period the cost-accounting branch, that was proceeding with the audit of the du Pont Engineering contracts, was under the
14 Baltimore district ordnance office. At about this time it was transferred
to the jurisdiction of the Philadelphia district ordnance office, and several changes were made in the supervision of the cost accountants working on the du Pont Engineering contracts. I had gotten to a point in the claims where I could find the time to proceed to the various plants and go much deeper into du Pont Engineering matters than I had before, and I proceeded to Nashville, Tennessee, as I remember, some time in October, taking with me several investigators so as to ascertain the possibility of securing certain evidence required for the validation of public vouchers, and the memoranda supporting them.

After arriving and investigating conditions in general, I found matters were somewhat complictaed, and directed a much further and complete investigation as to the supporting papers needed for this purpose, and returned to Philadelphia. I called the du Pont Engineering officials' attention to the lack of a considerable amount of primary evidence, such as the proper material receipts, and also to the necessity of our being able to get full access to all documentary evidence that they might have, with regard particularly to materials, as I had taken this particular matter under my observation. It seemed to be rather difficult, in fact almost impossible, to secure the necessary supporting evidence from the du Pont Company. They claiming that they have presented vouchers

which were filled in in their office, either copies of the original account from the person from whom they bought, or a form that they sent to the various people from whom they purchased, materials for them to fill out and
15 present as their invoice.

As it was necessary for us to have further supporting evidence to validate the payment of any moneys to the du Pont Company, we then endeavored to secure by any means whatsoever, either with or without the cooperation of the company, the receiving records, and after delving through quite a number of files we found a considerable number of receiving reports, part of which were doubtful, in fact, they were signed by clerks rather than checkers.

Investigating further, we found considerable evidence that these records were copied from the vouchers and did not represent an actual check of materials received at the plant. This immediately threw all the transactions into doubt until we could verify the receipt of materials. And this struggle continued on practically to the termination of my period, at least, of service. This with regard to materials and the receipt of materials.

On bulk shipments, such as carloads, we went through the railroad records, not at the du Pont Engineering offices or the offices of the Old Hickory powder plant, but we went to the railroad offices and reviewed the railroad records, checking up on car numbers, car lots, weights, and by other methods tried to verify, and did verify, that carloads of material were received as represented by the invoices presented. In this way we cleared up a great many bulk shipments and were able to certify to the applicability and receipt of the material for the purposes of the contract.

But we still had many items in doubt, due to this question of fabri-
16 cated records, which they were, purely and simply, and nothing else;
that is, this statement of mine being based on the evidence presented by former employees of the du Pont Engineering Company, and by the fact that clerks only had signed, in a great many cases, these receiving reports, so-called.

Mr. Anderson. Would it bother you if I interrupted you with a question? You speak of "fabricated" evidence. Were you convinced that this evidence was made-up evidence to support those vouchers?

Mr. Guise. In reviewing a large number of records such as those, amounting to probably over—considerably over—100,000 vouchers, we would find normally a great many intermingled; there would be some shortages, loss and damage reports, and other things like that intermingled. We never found shortages, only on those records that we verified as being made by checkers. We never found them on the others.

Secondly, thousands of records were made in the handwriting of one man, and signed by one man. It would be absolutely impossible for that man to check, or be in charge of checking directly in the field of the received materials. There was only a small percentage of the total validated by the representatives of the Ordnance Department in the field.

Mr. Anderson. Now, one question more, Major. Could you give us the names of any of the persons you speak of?

Mr. Guise. It would be rather difficult. They are all a matter of record, and I think you will find the Ordnance office should have a report which carries many of those names.

Mr. Carnduff. I beg your pardon, Major, several of them will testify.

17 Mr. Guise. You will undoubtedly have them at the meetings.

Mr. Carnduff. We will have several of them here.

Mr. Guise. It would be rather difficult after four or five years for me to recall the names of people that I only met once or twice.

Mr. Anderson. If you can and if you will give us the names of people who can substantiate these statements, or with whom we can go further into detail, it would help us.

Mr. Guise. I would hesitate, Colonel Anderson. I might give the wrong name, and I would hesitate as to that.

This practically covers that portion of the investigations pertaining to the receipt of materials. And I might possibly have made it a little stronger about the question of getting information, because we didn't get any—that is the long and short of it—until I insisted at least that a few representatives of the du Ponts come down with us and help us further along with the case so as to accelerate settlement. We found quite a number of records by tearing away boards, the foundation of buildings, and getting underneath, pulling them out from where they had been placed underneath the floors of the various temporary buildings there.

General Williams. Records, do you mean?

Mr. Guise. The records in some cases were practically hidden, you might say, in those points. We had testimony—I will not say that it was all complete—that a considerable number of records—in fact rather good sized bundles—had been destroyed, burned up, before the du Pont Engineering Company left the place.

18 On examination of a great deal of apparently scrap paper we found records intermingled with scrap. These covered both construction and operation.

But our principal difficulty was to find the primary support to the invoices presented. That was the great difficulty. We could get a great number of expense bills, but to get the support for those bills, that was where all the hesitation came.

As far as the receipt of material is concerned, the first thing that we were endeavoring to do was to establish that the materials were received on the ground. The second thing that the representative of the contract section had to determine would be their applicability.

We did not review the question of whether if the du Pont Engineering Company bought a keg of nails or a carload of lumber, it was necessary, because that was material of the class they used, and if it was left there it should normally be in the possession of the United States after it was turned over. We did not question that. The only thing we wanted to know was that it was delivered there, that we had prime evidence and legal evidence of that fact, and that that was difficult to get at. I am speaking now of the construction. The matters that I am speaking of now are those pertaining to construction.

The last function of the repersentative of the contract section was that of determining the reasonable price; whether the contractor was paying in excess of what you would call a normal price, and if so, whether there was a particular reason for his paying it. We did investigate quite a number of
19 those cases, and in some cases we found, for example, in relation to tile,
that the subcontractor, the Mason & Hanger Company, had purchased tiles and some other materials cheaper than the du Pont Company. That element would not have amounted to a very large percent, however, in the total involved, and we did not review very far into that. That was a question particularly for investigation in general, rather than in detail at the time. What we were trying to do, in fact, was to clear the matter up and get the vouchers off our hands so we could issue public vouchers and pass them through, if it was possible. This element of doubt, and the impossibility of securing full and complete evidence did throw quite a number of material vouchers into suspense.

Mr. Carnduff. Pardon me, Major Guise. Will you state to the Committee the approximate aggregate total of your suspensions?

Mr. Guise. At the time I left I should say there was approximately five millions of dollars that was suspended on account of illegality or nonapplicability for the purpose of the contract. And this was reduced by the late audit to about $300,000.

General Williams. What do you mean by "illegality"?

Mr. Guise. Well, those things that had been determined by various decisions of the court, by law, as impossible, such as the removal of criminals; the payment of the cost of removing a criminal from the State of Tennessee to the State of Indiana; that was one case. Miscellaneous items of various kinds, and all that.

And inapplicability: A great deal of it was due to various determina-
20 tions, that is under the contract; the determination of the direct ex-
penditure for the purpose of the contract, the contract being purely and solely for the construction of a smokeless powder plant and the operation thereof. Now, it would be impossible to go into the vast number of details, the enormous amount of detail included in it. But there were so many different types. For example, they paid the expense of a man's wife and daughter proceeding to California, and their return, and tendered the bill to the United States for reimbursement. Not on this contract.

Mr. Carnduff. You would suspend that on the basis of inapplicability?

Mr. Guise. I would suspend that on the basis of inapplicability.

Mr. Carnduff. Now, Major, in addition to the $5,000,000 that you suspended because of illegality, tell the Committee the additional aggregate amounts suspended because of inapplicability?

Mr. Guise. These pertained primarily and solely to construction account.

Mr. Carnduff. Yes.

Mr. Guise. Not less than $13,000,000.

General Williams. Just a moment, please. I would like to know a little more about that "illegality" business. Five million dollars is a pretty large sum. This taking of a criminal from one State to another is a rather minor item. There must have been some large items to make up that five million dollars.

Mr. Carnduff. Well, General, there were bonuses, I think as high as $20,000 to one man.

21 Mr. Guise. Cut that $5,000 please.

Mr. Carnduff. $15,000.

Mr. Guise. $15,000.

Mr. Carnduff. $15,000 bonus to one man.

General Williams. Who was the man?

Mr. Guise. As I remember, the name was—I can't give it to you just now.

General Williams. What is his function in the plant?

Mr. Guise. He was the supervising—I believe he was the manager there at the plant.

General Williams. Well, does not the contract provide for the paying of extra compensation?

Colonel Hull. Mr. Chairman, I think we can simplify matters. The question of bonuses has all been threshed out. The exact amount of bonuses paid every man is on the records. The reasons for it, as advanced, and the decisions of Major Farr, are all in writing on the question of bonuses.

Mr. Carnduff. Exactly.

Colonel Hull. So I think we had better take the records on that question of bonuses.

Mr. Carnduff. But that shows what the eighteen million dollars are made up of which were suspended.

Mr. Guise. The $13,000,000 was made up solely on account of lack of evidence.

Mr. Anderson. The total of $18,000,000, I understand, was suspended.

Mr. Guise. The total of $18,000,000 was suspended, yes, sir.

22 General Williams. Does or does not the contract provide for the payment of bonuses largely as compensation?

Mr. Carnduff. It does provide for extra compensation when approved by the contracting officer. I think those are the words of the contract.

Colonel Hull. The exact amount, and to whom they are paid, are all matters of record.

Mr. Anderson. I suggest that we go ahead with his statement, and then we could have those questions argued before us.

General Williams. I wanted to get some idea as to what was involved.

Mr. Anderson. I did not mean to cut that off, General.

General Williams. There were considerable sums. Where did they come in?

Mr. Anderson. Yes; $18,000,000 is a great sum.

General Williams. Yes.

Mr. Guise. You must remember that these suspensions were on an aggregate of probably 150,000 vouchers or better. In fact more than that; all classes of vouchers. And some of them included personal expense vouchers that were presented by the du Ponts for reimbursement, for the transportation of various employees to different points. Under the terms of the contract the du Pont Engineering Company were allowed to pay premiums for the purpose of protecting themselves against all compensation losses of various kinds. But instead of doing that they paid compensation direct, under lawsuits and various suits that were brought against them for personal damages, and torts; miscellaneous items of that class ran up into—oh, I will say
23 hundreds of thousands of dollars at least. Those expenses could not be paid directly, and I think I am quite certain that a decision made by the—in fact there is a law, a statute law of the United States that provides that where damages occurred which the United States would have to pay through legal action, that the Attorney General's office has first to act upon it—that it has to be brought to the attention of the Attorney General of the United States. Well, you must remember this is four or five years back, but there were miscellaneous items of that class that aggregated in the total about the sum I have mentioned.

Mr. Cardnuff. Tell the committee, if you know, what became of this eighteen million dollars worth of suspensions?

Mr. Guise. I don't know, only by hearsay.

Mr. Cardnuff. Well, let us have it.

Mr. Guise. I understand that the suspensions were disallowed. That is, that the entire amount was taken out of suspension by the representative of the Assistant Secretary of War, and practically all allowed to the du Ponts.

Mr. Cardnuff. You mean this $18,000,000 was paid in toto?

Mr. Guise. The payment was validated.

General Williams. It had already been paid?

Mr. Guise. Yes.

General Williams. There was a question of suspension.

Mr. Guise. We were suspending the validation, you might say, of the payment.

Now, this is a question of documentary evidence that I secured in the offices
of the Cincinnati district ordnance office; in the offices at Nashville; a
24 small amount subsequently in the du Pont Engineering Company's
offices. The representative of the finance division at the plant, and at
Wilmington, both were notified by—Colonel Blythe, was it at that time?

General Williams. Colonel Blythe at that time was at the head of our finance department.

Mr. Guise. I believe this letter was signed by Colonel Blythe. They were warned that it might be necessary for them to make an audit at the time and review these questions, but that the final determination as to the actual invalidation would have to be done later. And on my review of conditions, as exhibited in the Wilmington office of the cost accounting branch, I should assume that they had continued the audit about in the same manner that they did at the time that Colonel Blythe had given this warning late in 1917. It was known to the proper authorities in the ordnance office; that is, to Colonel Blythe, and others, that the audit was proceeding in somewhat irregular manner, but the necessity for a further review was plainly apparent in these instructions, indicated in these instructions.

General Williams. Which audit are you speaking of now?

Mr. Guise. The first audit, the original audit that proceeded along during the construction and operation of the plant.

General Williams. So it was recognized then that a further audit would be necessary?

Mr. Guise. Yes, sir; at that time. The ordnance office has a copy, I am quite
certain, of that letter of Colonel Blythe's, provided they have got the
25 copy that was supposed to come through channels to it of my final
report. I gave Mr. Francis, at Philadelphia, before I left my report,
two copies of which was to be forwarded through to the ordnance office. In this was included a large amount of supporting papers of various kinds, and this was included in that.

General Williams. All of these suspensions of yours were subsequently taken up by the proper agents of the Government and made a matter of investigation by these agents, together with the representatives of the du Pont Engineering Company, and in most cases an agreement or a settlement was arrived at, is that true?

Mr. Guise. I don't know. We discussed the matter—I had conferences at different periods with the du Pont Engineering Company's officials, but what I wanted was documentary evidence which was required under the regulations; as far as that is concerned, under any regulations that I knew, before I could proceed with the final certification of the voucher. Before I could do that I had to have the supporting papers there. I do not consider, and do not now consider, that the mere presentation of a bill, without all the necessary evidence back of it, gives us the proper supporting papers for a public voucher. We must have absolute and definite knowledge that that work was performed, and the material was received as represented in that bill.

General Williams. Well, the only thing that I wanted to bring out was that these suspensions of yours were subsequently taken up and all the evidence available was examined by the agents of the Government, and that an agreement was reached, or a settlement was reached with the du Pont people.

26 Colonel Hull. The Government duly passed on all items.

General Williams. Yes.

Mr. Guise. Insofar as I have gone up to the present time the statements pertain solely and only to construction matters, you may say. There may be a few of them that would go further.

In the late summer and early fall of 1920 I sent representatives in the field to determine, so far as possible, the question of the receipt of prime components for operation. It was necessary for them to proceed to New York to secure records there, and at other points, particularly on nitrate of soda. There were practically no receiving reports on carload shipments of components. We only had car records, which we secured by the method of proceeding to the office of the railroad company. And we also began to examine into, preparatory to the final audit on operations, the costs presented by the du Pont Company, as well as quantity. The contract is specific as to the question of costs on prime materials.

27 In one instance, which was the only one that I had completed at the time I left, I sent a memorandum to the du Pont Company pertaining to the question of linters, calling their attention to the fact that they had purchased under his contract—the E. I. du Pont de Nemours Company functioned with and alongside the du Pont Engineering Company, and their expenses were to be paid according to the items of the contract; all expenses incurred in connection with the contract by the E. I. du Pont de Nemours Company would be included with the account of the du Pont Engineering Company. I found that they had charged the United States a considerable amount more than they had expressed in the contract. I had become rather conversant with the costs, and I received, after leaving the service, a note from the Philadelphia Claims Board, enclosing a copy of their minutes, in which the E. I. du Pont de Nemours Company returned to the United States a certified check for something like, as I remember, $136,000 as reimbursement for a wrongful charge on these particular materials.

It must be remembered that this is only one item of several that would have to be reviewed very closely and carefully, and these items covered a very large amount of the $24,000,000.

In this instance there was not any question but what, constructively, it was something that could be described, if a person wanted to act arbitrarily, as securing something that they were not entitled to. However, as I remember, they reimbursed—the Philadelphia Claims Board accepted this amount tentatively, not as a final adjustment.

28 I will say this, gentlemen. I do not care anything about any settlement that has been made on operations. I do not believe it possible, by any method, that the Ordnance Department or the Cost Accounting Branch would endorse at the present time—that is, at the time we took it—I think it would be impossible to make a definite and proper audit of the operating costs of the du Pont Engineering Company. And it is my belief that any settlement that has been made has been made on book accounts only and not on presentation of the actual amounts expended on operation. That is my belief.

I reviewed that in general very thoroughly. I found records that should have been kept by the Du Pont Co. were acid eaten, thrown over into corners. There was nothing that was kept up properly, subject to the review of the Ordnance Department officials. And the mere presentation of a balance sheet on that is not an audit. The discrepancies in freight, the transfer of materials from Hopewell, Virginia, to Nashville, so as to reduce the amount that would come in from excess on Hopewell, and miscellaneous items of that kind at the time of cancellation were enormous. And I do not believe myself that any definite audit can be made without a very thorough investigation. And I do not believe, when you get down to the question of justness, you will ever be able to get anything except a compromise settlement. And I would certainly consider any compromise settlement based on the presentation that was given me by the Du Pont Co. as being something entirely wrong.

General Williams. Major Guise, when did you leave the Department?

29 Mr. Guise. I was discharged November 30, 1920.

There were shipments made by the Nashville plant to various other points of acids and other powder components and other materials, and it was imposible from the records that we could get to make any definite audit. We just simply scraped the surface on that. I do not believe that the cost of production of smokeless powder at the Nashville plant amounted to anywhere near 80 cents a pound—not when that powder was produced by a company that has been manufacturing powder for 3 or 4 years and was selling it to the United States for much less than 60 cents a pound on all classes.

General Williams. Was it not specified in the contract just how the cost of the powder should be determined?

Mr. Guise. Yes. They charged operation costs up to $24,000,000, General, as against operation costs in their own plants, which gave them a profit—charged 80 cents a pound against operation costs in their own plants that gave them a profit of between 40 and 50 cents a pound in their later contracts.

General Williams. Did you go into the method of determining the cost of the powder per pound?

Mr. Guise. No, sir; I did not get to that point. I was trying to get the amount of materials that had been delivered there, and the amount consumed.

General Williams. Your opinion, then, is not based on knowledge of the costs?

Mr. Guise. We have a statement of operating costs. I am taking it
30 now in gross, not in detail. Our inventories would reduce that, of
course, to some extent, but the inventories for operating costs would be represented in general by the sulphur and nitrate of soda and linters, and so forth, that would be on hand. It would not be represented by any constructional feature.

Mr. Carnduff. Major, I have forgotten during the space of the few months since you formerly testified: Was it you that testified as to the transfer of the large amount of operating costs into construction costs, and visa verse?

Mr. Guise. I think you will find that from the cost-accounting branch. That was brought to my attention, but I do not think there is any question in relation to that that I could answer at the present time.

Mr. Carnduff. While I am interrupting you, you testified that you were discharged in November 1920. You mean you were honorably discharged from the Army?

Mr. Guise. I was; yes, sir.

Mr. Carnduff. As a major?

Mr. Guise. Yes, sir.

Mr. Anderson. In order to get on the record, Major, a little more fully your qualifications, I would like to know what your business was before you became an Army officer.

Mr. Guise. I was consulting engineer for certain plants of the United States Rubber Company for about seven years. Immediately preceding that I built probably half a million dollars worth of chemical plants, nitrate plants, and other plants of that class. For about a year and a half I dealt with railroad industrial matters as chairman of a special committee, in relation to safety,
sanitation, welfare, and labor problems.

31 Mr. Anderson. Are you an engineer by profession?

Mr. Guise. I am not a graduate engineer. I am a member of the American Society of Mechanical Engineers, and of the American Institute of Electrical Engineers.

Mr. Anderson. You were familiar with matters of accounting and construction and operating accounts prior to the war, were you?

Mr. Guise. To a very large extent; yes. For a period of about 10 or 12 years I was in active charge of production and manufacture of various types. And as far as that is concerned, I was a student of the Taylor system and other systems of that class.

Mr. Anderson. You spoke of linters as being purchased and improperly charged to the Government. Will you explain a little more fully what you mean there?

Mr. Guise. Linters were purchased by the E. I. du Pont de Nemours Company at a certain definite price, a price at this time, as I remember—no; that was shavings; linters were purchased under a pool. Shavings were purchased by the E. I. du Pont de Nemours Company at a certain average price, and were paid for or charged to the du Pont Engineering Company at a higher price than the E. I. du Pont de Nemours Company paid. In other words, there was something over a cent a pound charged in there. I do not know—I expect Mr. McLane probably has one bundle of those vouchers. I saw them the last time I was in Washington, when I was first called in for an inquiry.

Mr. Anderson. Did you come across any instances where linters were charged
to the United States at excessive weights?

32 Mr. Guise. We came across instances where it was impossible to recon-
cile carload weights with the invoice weights. You must remember that we did not have any method whatever—we had no receiving reports on component materials; we had carloads coming in there, but nothing else. The only record we had was according to the railroad charges. There were times when the invoices did not agree entirely with the railroad total.

You see, the question that we had in mind was to take those materials en bloc, as far as quantity was concerned, add up the total amount as invoiced of linters, for example, and the total railroad weights, and then find out what the gross discrepancy was. If we had 50,000 pounds according to the sum total of invoices for linters, and we had 49,000,000 pounds on the railroad weights, why, we would validate the 49,000,000 pounds according to the railroad weights, and let the contractor prove, by some method or other, that the one million pounds discrepancy had been delivered.

Mr. Anderson. Did you find any other instances that you now recall where goods or materials were charged by the du Pont Engineering Company, contracted from the du Pont de Nemours Company or other subsidiaries of that company, at a profit?

Mr. Guise. That is rather difficult to determine. That question leads into an item that we were told to drop when we started to investigate it, back during the investigation of claims. It was considered as being such a large proposition that we would not—it was not considered possible to do anything with it. That was the question of nitrate of soda.

33 Mr. Anderson. As a matter of fairness to all persons concerned, I would like to ask you who told you to drop it, and why?

Mr. Guise. Why, we were informed by the Chief of the Philadelphia District Claims Board that we had so many other things to take care of that it would be rather difficult for us to take that up, and it ought to be taken up really through Washington rather than as a district proposition, it being national in character. The idea was that it was impossible to know what the cost to the E. I. du Pont de Nemours Company was on nitrate of soda, and we did not know whether they made any money indirectly through their agent. Remember, the E. I. du Pont de Nemours Company furnishes all money to the du Pont Nitrates Corporation; they act purely and solely as their agent in handling the transaction relative to nitrate of soda We do not know how much the E. I. du Pont de Nemours Company made by those transactions. It would have been impossible for us to go into that definitely and in detail.

A nitrate committee was set up, composed, as I remember, of three or four importers of nitrate of soda, by the War Industries Board. They were given full authority in relation to this. They worked in conjunction with an interallied board overseas for the fixing of prices, and it was such a complex proposition that it would be almost interminable. I found out and reported just exactly what the conditions were, and it was up to my superiors to take care of that.

But so far as the price of nitrate of soda was concerned and the
34 charges made by the du Pont Engineering Company or the E. I. du Pont de Nemours Company to the United States, we had not gotten to that part. Each item was being taken up one after another, and it would be impossible, without a very large force and a considerably larger number of technical men than I had, to have gone through that any faster than we did. And I may add we worked on the plan of the old Army game, thinking we were through, and letting the other fellow handle it.

We had fixed prices on certain definite materials; we had variable prices on certain other definite materials. The price of nitrate of soda varied from month to month. The f. a. s. price was fixed through London, but the f. o. b. price was, of course, fixed in New York, and to determine the f. o. b. meant the reviewing of a large number of items that really were not in the possession of anybody at Philadelphia, and probably not at Wilmington. The Nitrates Corporation had some there. But we did review that item of costs; it had to be reviewed, and we did review it in conjunction with claims. They were adjusted, though, during the claims audit. As I stated, in my opinion, to have really cleared up the du Pont Engineering Company's contracts would have required a continuous audit of a year to a year and a half longer than we had already gone.

General Williams. It ran about that long, did it not?

Mr. Guise. You must remember that the actual audit did not start until late in 1919, and at the time I left it had not lasted one year. For a year and about eight months cost accountants had been on this proposition, making
35 a very perfunctory audit, generally speaking. When the cost accounting branch at the Wilmington office wanted the supporting vouchers at least in behind those papers they did not have them.

The Chairman. It is almost one o'clock; I think probably we had better adjourn for lunch.

Mr. Carnduff. I believe Major Guise has almost completed his statement.

Mr. Guise. I cannot say much more in relation to this. As far as details are concerned, there are records pertaining to this. There are records pertaining to every voucher, so far as the disallowance or suspension is concerned. Full and complete records were kept right along. As fast as we got through with a proposition it was set aside. The du Pont Company was notified when a voucher was thrown into suspense. In some cases they said, "Oh, we had all the records." In other cases the statement was "We have not got anything beyond what you have already got." It was plainly apparent, the lack of interest on the part of E. I. du Pont de Nemours Company and the du Pont Engineering Company as to the furnishing of information, and what you might call cooperation in general. We found some opposition in relation to claims in the earlier stages; we found no cooperation in relation to the others.

I asked them where all these prime vouchers and supporting vouchers were. They informed me they did not need to keep them; they were not required to keep anything but just simply general records. And as you know—
36 at least, it was War Department procedure—we had to have reasonable
legal evidence to pay any voucher, and that evidence had to be of a kind that would be accepted, not only by the certifying officer but also by the disbursing officer and by the Comptroller of the Treasury. I went so far as to interview the Comptroller's office in relation to this, and they told me that if we did not have the evidence they would not accept it in a thousand years, and the evidence was not there. That is the sum and substance of the whole thing. In relation to personal expense vouchers, I requested the contractor to give me an affidavit, signed by any responsible representative of the contractor, that could be attached, that the expenditures for which they asked reimbursement were necessary and required for the purpose of the contract and that the expenditures had actually been made, and they refused to give me the affidavit. Well, if they, with their closer and more direct knowledge than I had, could not do that, I certainly would hesitate very much about certifying and validating an expenditure of that class. A reviewal of those alone would have required three or four men for a period of several months.

Expenditures were charged in personal expense vouchers for round-about trips—I will even say holidays. Personal expense vouchers were rendered for the transportation of other people on many of them, as far as that is concerned, over and above the employee or his immediate family. It would be impossible to cite all the instances. I remember one in particular where a man was employed in New Jersey, and went out to Indiana and visited
37 a few days out there, and took his wife's father and mother to Nashville,
and the entire amount was charged. Of course, we get rather hard-boiled in relation to vouchers, and it does not matter whether it is for a dollar or a million dollars, our attitude toward that voucher is just the same. This may not have amounted to more than eight or ten dollars, but there were any number of other cases of that same character.

Colonel Hull. You do not know whether the suspension was ever removed on that voucher or not, do you, sir?

Mr. Guise. I do not know anything about that. Those vouchers were thrown into suspension until they were finally audited.

General Williams. I think that for the purpose of this committee the essential thing is what was finally done, not what the situation was in an intermediate stage. I do not believe it is material what Major Guise did, if the settlement was gone into by the agencies of the Government and agreement was reached.

Mr. Anderson. I think, General, that the purpose of these gentlemen is to present to us the series of steps, and then call Major Farr, who handled this matter finally in relation to Colonel Hull, and develop what did take place in the final analysis. These matters have been the subject of a great deal of discussion, and while it takes up a great amount of time to go through them I think it would be just as well to go through them and dispose of them for all time. Unless we know how it started we do not know the process by which it reached final adjustment.

38 General Williams. Are we concerned with anything more than the
sufficiency of the evidence on which payments were made? Are we concerned with the process by which that evidence was gotten?

Mr. Anderson. I think we are concerned this far, that if, even in the best of faith, there were errors made or evidence furnished of any other situation which required a final audit—or it may be a simple accounting—against the du Pont Engineering Company, it would be necessary for us to develop those facts here; because we might, upon the final action taken, reach a conclusion on the subject of whether there is necessity for a complete audit, or whether there is necessity for an accounting different from what we might reach if we developed the situation from the beginning. It is just what each person discovers in connection with it, taking each side.

So while we are at it I would suggest that we finish it; that we begin at the beginning and end at the close; and then decide that we are going to have an accounting or that we are going to close this case once for all. Because it is coming up constantly at one end of the line—I do not know whether it is with you at the other—and there is hardly a day passes that somebody does not come in with a complaint about the du Pont Engineering Company. So I told Major Carnduff to go to the bottom of the thing from our standpoint and let us know where we stand. It may be when we get through with it we will find it has already been done.

Mr. Carnduff. Let me say, Colonel, that we did not initiate this.

39 Mr. Anderson. Oh, yes; this was brought to my attention through the district attorney originally, as a matter of fact, through these various reports, and other sources.

The Chairman. Are there any other questions?

Colonel Hull. I have a number of questions.

The Chairman. I think we had better suspend.

(Whereupon, at 1:10 o'clock p. m., a recess was taken until 2 o'clock p. m.)

40

AFTER RECESS

The committee resumed its session at 2 o'clock p. m. pursuant to the taking of recess.

Mr. Anderson. Secretary Davis has informed me that he cannot be here until about three o'clock, so we shall have to go ahead without him.

Mr. Carnduff. Mr. Chairman, as to a few matters in relation to the accounting phase of this investigation, Mr. Cameron, who investigated it for the Department, has a few questions to direct to Major Guise.

Mr. Cameron. Major, did you make any examination to determine the receiving system at the Old Hickory plant?

Mr. Guise. Why, I went into it in a general way. I had put men at the plant to examine into that matter in its entirety; and, in fact, all invoices were forwarded to Old Hickory with directions to the force at Old Hickory plant to attach the receiving report where possible.

Mr. Cameron. But did you make any inquiry into the method of the receiving of goods at the time the goods were received—the system that was in vogue of the time the goods were received?

Mr. Guise. The receipt in general was taken up by the Du Pont Engineering Company. The Army inspector of ordnance was supposed to be able to verify their receipt of material, and did have checkers—insufficient in number to check everything in its entirety; there was not any question about that.

Mr. Cameron. You did find, in your investigation, however, that the Du Pont Engineering Company had checkers out in the yard?

41 Mr. Guise. They had checkers around various points in the plant, and a considerable amount of material was actually checked in there. In other cases it was unloaded in the field, and they took memoranda of it and asked the field engineer to sign them.

Mr. Cameron. Who told you that, Major?

Mr. Guise. In that case it was an employee—an old employee of the Du Pont Engineering Company.

Mr. Cameron. Do you remember his name?

Mr. Guise. I don't remember his name—working for the Ordnance Department, one of our witnesses. You can refresh my memory——

Mr. Carnduff. Bridwell?

Mr. Guise. Bridwell. Bridwell was one of them.

Mr. Cameron. Did you find also in making this inspection that the Government had what were known as yard clerks and yard checkers?

Mr. Guise. They had checkers.

Mr. Cameron. Checkers out in the yard?

Mr. Guise. They had checkers in the yard also.

Mr. Cameron. Did you make any investigation to find out what the duties of those yard checkers were?

Mr. Guise. The receipt of material—their duties are plainly defined so far as the receipt of material is concerned—and the verification thereof by the Ordnance Department or, you might say, in the accounting branch of the War Department. A checker should be able to verify the receipt of materials charged to or against the contractor——

Mr. Cameron. I will expedite the matter by interrupting you. I really
42 was not asking what they should do. My question may not have been
phrased properly. I was not asking what they should do under the regulations, but what your development was of what they did do.

Mr. Guise. Why, they checked about 10 percent, as near as I could tell by all the evidence it was posible to procure.

Mr. Cameron. Will you tell us just how you came to the conclusion that these checkers checked about 10 percent?

Mr. Guise. By examining the records and finding out the actual verification of the receiving reports by Ordnance employees

Mr. Cameron. You base that conclusion, then, on the number of receipts that you found which bore evidence that they had been signed by a yard clerk?

Mr. Guise. By Ordnance representatives.

Mr. Cameron. In the yard?

Mr. Guise. That would be impossible for me to determine. You must remember this, that as far as the administration in the field was concerned it was properly under the Ordnance officer in charge. If he saw fit to have his men check at a certain unloading point in the yard or anywhere else, he probably would direct them to proceed to that point, and that service might require them to be a mile away from the normal unloading point. But they could check at that point as well as they could at the unloading platform or anywhere else. I could not tell by the figures whether they were checking a car being unloaded in the field or checking at a storehouse to be unloaded on platforms.

43 Mr. Cameron. But you did distinguish the receiving record which bore
evidence of having had some sort of independent checking as compared with some sort of record which bore evidence of having been written in the same longhand writing, beginning with the date and running right through to the signature?

Mr. Guise. You must remember this, that those did not bear any evidence of having been checked by an Ordnance representative. These fabricated—I will put it that way, plainly; that is what I think they are. These fabricated receiving records bore no evidence of having been presented to an Ordnance Department representative.

Mr. Cameron. Major, were you ever told what records these receiving clerks in the yards did have?

Mr. Guise. You mean Ordnance receiving clerks?

Mr. Cameron. Any clerks.

Mr. Guise. Oh, any clerks? Well, there was some particular form of card used in connection with the direct receiving. There was a different form in most of these fabricated reports. There was a different type of form entirely, and no so-called "checker's card" accompanied the report.

Mr. Cameron. I hope, Major, you do not think I am trying to break down your testimony——

Mr. Guise. Oh, no.

Mr. Cameron. But I would like to ask you whether or not you recall having been told of certain yard clerks in the Ordnance Department—that is, they were representing the Government, receiving goods—had certain blank books,
44 blank receiving records, in which they would record the receipt of goods
as they came in at that station.

Mr. Guise. That is correct.

Mr. Cameron. Now, I want to ask you—you spoke of a fabricated receipt. That is, because it was written in the same handwriting, because hundreds of them were written in the same handwriting, to you that would suggest that that was fabricated; and by "fabricated" I understand you to mean that that was not a valid receiving record?

Mr. Guise. So far as we could determine, it was a copy of the invoice.

Mr. Cameron. And do you know whether or not the du Pont Company gave any instructions—or do you know whether anyone gave any instructions that when these yard clerks, Ordnance clerks, or clerks representing the Government in the yard, brought in their blank books it was the duty of the record clerks in the receiving department, in the office, to make a transcript on the receiving form and attach such transcript and form to the invoice after having evidenced the receipt of goods in the yard?

Mr. Guise. Why, I have no direct evidence that they ever did or did not. All I know is that there were some valid receiving reports with the checker's card attached. The difference between a clerk in the field and a checker is this: A checker was the man who received the goods and checked against the quantities. The clerk was the man who transcribed only. I know that there were receiving reports that had duplicate checker's cards. The checker's cards invariably, I will say, so far as I examined them, had also a validation by the Ordnance
45 Department representative; but that included only about 10 percent of the total.

Mr. Cameron. Is the committee to understand that the checker's cards were missing?

Mr. Guise. Well, the checker's cards were not there. They undoubtedly were missing.

Mr. Cameron. And an investigation was made to locate them?

Mr. Guise. Oh, yes; we looked everywhere.

Mr. Cameron. And inquiry was made of the du Pont Company?

Mr. Guise. The du Pont Company stated that they had left all these records behind, in charge of the Ordnance Department representative, and they were not further interested.

Mr. Carnduff. Do you know whether there ever were any such checker's cards?

Mr. Guise. I have no evidence in either direction; they were not in the files.

Mr. Carnduff. Your assumption is that there was a 10-percent check, is it not?

Mr. Guise. That was the actual order given by the Ordnance representative in the field.

Mr. Carnduff. Will you state what that order was, as you understand it?

Mr. Guise. I cannot give it verbatim. In general, it was that on account of the impossibility of checking everything there they had decided to make a ten-percent check and pass the other 90 percent on the basis of the 10-
46 percent check.

Mr. Carnduff. And it was understood that this 10-percent check was at the actual time the goods were received?

Mr. Guise. Well, that is not definitely stated in the memorandum sent out. Copies of that are attached to my final report on this particular proposition. While I have not go any direct evidence that the 10-percent check was the only check made by the checkers in the field, we have no documentary evidence to the effect that any check was made.

Mr. Cameron. Upon what do you base your opinion that only 10 percent were checked?

Mr. Guise. Well, because the man in charge, the officer in charge, stated that that was what he was going to do; that he intended to confine himself to a 10-percent check.

General Williams. You were down there about 2 years after the thing was completed, were you not—after the material was received?

Mr. Guise. About a year or a year and a half, I should say. It varied from a year to a year and a half.

General Williams. So you are just telling us the gossip that you heard around the plant?

Mr. Guise. Oh, no; I am telling you what I found in the files, and I have also the documentary evidence as to the statements made by the officer in charge.

General Williams. But you are testifying here as to instructions that were given, as I understand?

47 Mr. Guise. The written instructions were in the file to that effect.

General Williams. As to what was done in the matter of checking up these goods as received you have no first-hand information, apparently?

Mr. Guise. Only documentary evidence and affidavits.

General Williams. And gossip that you heard?

Mr. Guise. Well, and affidavits also. You see, the only way I could find out—I tried to ascertain why there were not more records and more definite certification as to the receipt of materials on the invoices or on the receiving reports accompanying them.

General Williams. Did you investigate any of the circumstances under which this material was received, as to whether or not there was any congestion of cars, delay in handling, and so on, expedition being one of the principal things——

Mr. Guise. Yes, that is correct.

Mr. Anderson. Who was the ordnance officer in charge of field construction?

Mr. Guise. Captain Foulke.

Mr. Anderson. Is he still in the Army?

Mr. Guise. I know nothing against his character whatsoever.

Mr. Anderson. I mean, is he still in the Army?

Mr. Guise. Oh, no, sir. No, sir; he was a temporary officer.

Mr. Anderson. I did not mean in asking that question to imply that there was any suggestion of anything against him.

48 Mr. Guise. I know nothing personally against the man whatsoever, as far as his character or anything else is concerned.

Mr. Cameron. Major, you were telling us about a shortage in weights of materials, which you endeavored to reconcile by tracing the cars?

Mr. Guise. Not necessarily shortage in weights. That was only determined in gross, while we had large amounts of materials coming in.

Mr. Cameron. I speak of the point in your testimony in which you referred to reconciliation en bloc from bills or invoices——

Mr. Guise. That is right.

Mr. Cameron. And I think you referred to weights, did you not?

Mr. Guise. Yes.

Mr. Cameron. What was the purpose of that reconciliation?

Mr. Guise. So as to determine absolutely the amount of materials received at the plant.

Mr. Cameron. According to the invoices?

Mr. Guise. No; to determine the actual amount; to ascertain the actual amount, so far as we could, from the railroad records of various materials that were delivered at the plant, regardless of the invoices. Then by taking en bloc the weights as shown on the invoices against the amounts shown by the railroad's records we would be able to indicate a shortage or an overage.

Mr. Cameron. And in instances you did indicate shortages and overages?

49 Mr. Guise. We could not reconcile on certain shipments——

Mr. Cameron. But en bloc?

Mr. Guise. En bloc we never had gotten to that point. But we knew there were shortages; there were shortages so far as the invoice records as against card records were concerned. We had not determined as to shortages en bloc.

Mr. Cameron. You remember having heard, I imagine, in this investigation some rather grave charges with reference to some freight-rate manipulations, do you not?

Mr. Guise. There were some radical variations in freight rates, which it was impossible for us to reconcile, but those had (not?)[1] been reviewed and audited at the time I left. I will carry it further. The railroad companies themselves had agreed, and, in fact, were perfectly willing to hand back a considerable amount of overcharges that they had made, on account of a reviewal of their books in connection with overcharges. But there had not been any other review of the freight rates at the time I left.

Mr. Cameron. Assuming then that there were gross irregularities in the freight rates——

General Williams. Why should we assume that? Why should we assume fraud before it is proven?

Mr. Cameron. I am not going to assume any fraud in this inquiry. If you will permit him to answer this question you will at once know——

General Williams. Well, is it necessary for you to phrase your question that way?

Mr. Cameron. I think it is. Assuming irregularities in the invoices and weights, irregularities as between invoices and freight bills, I want to
50 show that the witness could not reconcile weights on invoices with the freight bills. I want to show that it will be impossible to reconcile the weights charged for in the invoices with the freight bills and assume at the same time that the freight bills were grossly irregular.

Mr. Anderson. I do not quite follow you, Mr. Cameron.

Mr. Cameron. Assuming, for instance, Colonel Anderson, that there were gross irregularities in the freight bills—and those charges have been made;

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[1] (Not) inserted in pencil in original.

but that is not a charge against the War Department, that is not a charge against any officer or official of the Government——

General Williams. We are not here to consider only the War Department's side of it, but the contractor's side of it——

Mr. Cameron. I will also say that this is no reflection in any manner, directly or indirectly, on the contractor.

General Williams. It is in my mind, the way I see it.

Mr. Cameron. I am sorry if I have not made myself plain.

General Williams. I object to your question and the phrasing of it.

Mr. Anderson. See if you cannot phrase it a little differently, without assuming anything that is involved.

Mr. Carnduff. If I may be permitted, I think the Louisville & Nashville Railroad have voluntarily offered to refund $27,000, if we agree to take it, so we assume there must have been something irregular when the railroad company on its own volition is willing to return that sum to us.

51 General Williams. That in my mind is not an argument. Errors may perfectly well enter into an accounting.

Mr. Anderson. Suppose you put your question this way: Assuming there were errors in freight charges, then what would follow?—instead of "irregularities." The word "irregularities" implies something that is out of the ordinary. Errors in freight charges are very ordinary.

Mr. McLane. May I interrupt there? The witness has stated that he found gross irregularities in the freight charges. That is a positive statement. Now, there could not be any assumption in Mr. Cameron's question, taking a statement of fact and applying it. This witness has stated that he found gross irregularities in freight rates.

Mr. Anderson. Would it not be just as effective for the purpose of the record if we said there were errors in freight charges?

Mr. Cameron. I am quite sure it would be to me.

Mr. Anderson. All right; let us have it that way. An error is an irregularity in one sense, but it is not a fraudulent irregularity.

Mr. Cameron. Assuming, Major, that there were errors in the freight bills——

Mr. Guise. Yes, sir.

Mr. Cameron. Then the reconciliation between the weights as shown on the invoices and the weights as shown on the railroad freight bills would amount to nothing in the way of an audit?

Mr. Guise. It would immediately throw the question in doubt.

52 Mr. Cameron. That is all I wanted to ask you about that.

Mr. Guise. You must remember, however, as I explained, that the only record of any description that we had in relation to the component materials as far as the receipt was concerned, checked against statements of the contractor—that is, the invoices as presented—was the freight bills, or the books—that is what we checked up. We did not take the freight bills; we took the books of the Louisville & Nashville and went into questions of demurrage and everything at the same time. That was the only way we had to even come near checking against the quantities shown on the invoices.

Mr. Cameron. Major, you made a voluntary statement with respect to the cost of operation, and you used the expression that a mere presentation of the balance sheet would show nothing.

Mr. Guise. No; unless supported by the primary evidence complete. A presentation of an account is simply a statement made by an interested party as to expenditures claimed.

Mr. Cameron. Were you called upon to audit the cost of operation?

Mr. Guise. That was not started at the time I left. We were beginning to audit quantities.

Mr. Cameron. But did you not make the statement that it could not be done now?

Mr. Guise. I do not think that a real audit, on account of the lack of records, could be made now—definitely and legally audited: I will put it that way.

Mr. Cameron. Did you ever see the books of the du Pont Engineering Company?

53 Mr. Guise. No.

Mr. Cameron. You never saw the operation accounts of the du Pont Engineering Company?

Mr. Guise. The only statement ever given to me by the du Pont Engineering Company was a general balance sheet.

Mr. Cameron. And when you mean it could not be done you mean on anything you had ever seen?

Mr. Guise. You must remember this, that when we come to the question of a definite audit, we do not only audit the books of the company. I do not mean day-book records of the cost of operation, or the original pay rolls and material accounting at the factory. A ledger or a journal, for a definite accounting is—when I say "fabricated" you understand, gentlemen, I do not mean that it is a false account; it is a fabricated account, built of many memoranda and day-book charges, and those are the legal evidence.

Mr. Cameron. Major, I am not going into any discussion of accounting with you, but I am going to tell you that I do not agree with you. However, I am not going to enter into any discussion with you.

Mr. Guise. You put a man's ledger up in front of a court and see what it amounts to without something back of it.

Mr. Cameron. I was just trying to get, for the sake of the committee, some intimation that you made with respect to the audit of the cost of operation.

Mr. Guise. You can undoubtedly get it in the du Pont Engineering Company's records at Wilmington. They undoubtedly would have full accounts—that is, ledger accounts—of the cost of operation at Old Hickory. I am speaking
54 now of ledger accounts.

General Williams. I would like to ask you, Major, a question about the cost of powder. You said, I think, that you did not think the cost of powder was less than 80-and-some-odd cents a pound.

Mr. Guise. Sir?

General Williams. I think you gave it as your opinion the cost of the powder was not less than something like 80 cents a pound.

Mr. Guise. Averaging it through on their claimed cost.

General Williams. In arriving at your estimate did you make allowance for the surplus material that was left in stock?

Mr. Guise. No; and there were several million dollars worth of that left there. I just roughed it off. I would have to modify that statement to that extent. If inventories were taken out you would find though, General, that you would still run your operating cost higher than any price we paid for powder along in that time of the year, that is all.

General Williams. That is entirely susceptible, I take it, of closer examination?

Mr. Guise. I will acknowledge the error made there; that was a definite error; I should have correct inventories, and those we had not reviewed to any extent, although we knew approximately what they were.

Colonel Hull. Major, you were for some time in charge of this reaudit the War Department ordered in 1919, were you not?

Mr. Guise. I was not in definite charge; only in a general way. The
55 accounting branch was, as you know, rather independent. I did not control their activities.

Colonel Hull. Who was put in charge of that to start with?

Mr. Guise. You mean of the cost accounting branch?

Colonel Hull. Yes; of the reaudit?

Mr. Guise. Well, so far as the contracting officer's and commanding officer's end was concerned, I had that—the supervising cost accounting. At the time I took charge——

Colonel Hull. During the fall of 1919?

Mr. Guise. During the fall of 1919 there were several——

Colonel Hull. Cobb was in charge of the work, wasn't he?

Mr. Guise. Cobb was in general charge of it.

Colonel Hull. And that audit work was directed by Mr. Door, wasn't it?

Mr. Guise. I believe that was the name.

Colonel Hull. Were you one of the parties that came down from Philadelphia and recommended a complete audit of that matter?

Mr. Guise. I made a recommendation at Philadelphia.

Colonel Hull. You made the recommendation in writing at Philadelphia?

Mr. Guise. Yes. I don't remember now; I came to Washington two or three times, and I might have talked to Mr. Door, but I was not in the conference.

Colonel Hull. But anyway the War Department did direct a complete examination of all these matters?

Mr. Guise. Yes, sir.

Colonel Hull. And you were put in charge of one feature of it, and
56 Mr. Cobb was put in charge of the contracting feature.

Mr. Guise. Cobb took general oversight. Of course, he had supervising accountants that were doing the work.

Colonel Hull. And that work was ordered in the fall of 1919, and started about January of 1920, did it not?

Mr. Guise. Some of the work was started immediately. That was more properly a reviewal and examination of conditions to ascertain how far we could go in the matter of records and other things of that kind.

Colonel Hull. The class of men that Cobb put on that accounting work were competent, so far as you know?

Mr. Guise. Generally speaking, I think they were competent; yes, sir.

Colonel Hull. You were given a free hand to go into any question of irregularity or impropriety of any kind, weren't you?

Mr. Guise. Up to the limit of my field force.

Colonel Hull. What I mean is, you were not circumscribed in any way——

Mr. Guise. I was directed by the Philadelphia district chief to continue on claims primarily rather than to take up contracts at the time that I started to work on the contracts. The claims were considered preeminent at that time.

Colonel Hull. I came into the work along about June 1920. Your work was under full headway at that time, wasn't it?

Mr. Guise. Yes, sir.

Colonel Hull. Do you remember that along about June 1920 the War Department was a little circumscribed for funds?

57 Mr. Guise. Yes, sir.

Colonel Hull. And the Philadelphia board asked for $300,000 to continue their work?

Mr. Guise. Yes, sir.

Colonel Hull. Do you remember your estimate at that time as to when your work of investigating the du Pont Engineering Company's reaudit would be completed?

Mr. Guise. I do not know.

Colonel Hull. Suppose I told you—which is my recollection—you said it would be completed by December 31, 1920—that that was your estimate in June?

Mr. Guise. I did expect it at that time. I had not gone into every detail, of course.

Colonel Hull. You had been on the reaudit, however, for 6 months at that time, and you had been working on it for a year.

Mr. Guise. Not myself.

Colonel Hull. I mean on the du Pont Engineering Company.

Mr. Guise. As I stated, for a long period of time I devoted all my efforts to trying to clear up claims. We had $400,000,000 to review there to get $30,000,000 claims completed. We had to go into contracts back in 1917 on the E. I. du Pont de Nemours matters and had to go into many other things preceding that audit.

Colonel Hull. Do you remember a long report which you made—I think it was in July 1920—on the du Pont Engineering Company matter, in which you recited all the irregularities and the different lines that the work should take? That was in July 1920, wasn't it?

58 Mr. Guise. It may have been.

Colonel Hull. Have you a copy of that, Major Booton?

Major Booton. Yes.

Colonel Hull (handing paper to witness). You made this report, didn't you, along about 1920?

Mr, Guise. Yes, sir—that was May.

Colonel Hull. It was May, wasn't it?

Mr. Guise. Yes, sir.

Colonel Hull. You had done considerable work on the du Pont Engineering Company matter by May then?

Mr. Guise. Yes; that is correct.

Colonel Hull. And this is an outline of your views at that time?

Mr. Guise. Yes, sir.

Colonel Hull. So in June, when you said it would be completed in December 1920 you were pretty familiar with the general aspects of the case?

Mr. Guise. Yes. I did not expect, however, to be cut like we were in personnel. We were cut down pretty heavily after June, you know. We had to let quite a number of people go, to be able to hold enough money to complete claims.

Colonel Hull. The Philadelphia Ordnance Board at that time, in June, when you said you would complete it in December, asked for $300,000?

Mr. Guise. Yes.

Colonel Hull. And you were given $300,000 in June?

Mr. Guise. A large percentage of that was used for claims work alone, not for this contract.

59 Colonel Hull. Well, Philadelphia was also recommending this same work, wasn't it?

Mr. Guise. Well, I assume so, but they were entirely——

Colonel Hull. Mr. Jones was working there——

Mr. Guise. I know the allotment for contracts was cut for Philadelphia at that time.

Colonel Hull. But I say, Mr. Jones was in favor of this reaudit?

Mr. Guise. Decidedly so.

Colonel Hull. Then you remember that that $300,000 was rapidly expended?

Mr. Guise. We were aware of it along in September.

Colonel Hull. And Philadelphia asked for an additional allotment, and in September you made an estimate as to when the work would be completed?

Mr. Guise. I may have at that time. I don't remember the exact time.

Colonel Hull. I think the records will show that in September you said that if you continued the work the way it was going it would be completed in March, if Philadelphia was then given the money that they requested.

Mr. Guise. I expected that it would be completed in March.

Colonel Hull. And you stayed on the work until when?

Mr. Guise. I stayed—I was discharged November 30th, and I stayed in a civilian capacity for one month, clearing up various matters pertaining to both contracts and claims.

60 Colonel Hull. And all the evidence of any irregularities, all suspensions and everything, was of record when you left Washington?

Mr. Guise. Up to that time; yes.

Colonel Hull. And you turned the work over to whom?

Mr. Guise. That was turned over to Mr. Peebles.

Colonel Hull. Mr. Peebles has been an employee of yours prior to that time, had he not?

Mr. Guise. Yes, sir.

Colonel Hull. You left after Peebles and Youmans had been trained in the work, did you not?

Mr. Guise. I did.

Colonel Hull. And the work was turned over to them, was it not?

Mr. Guise. Yes.

Colonel Hull. And as far as you know, they continued the work exactly on the same lines that you had planned it and laid it out?

Mr. Guise. I don't know. I don't know anything about what Youmans did. I don't know what Peebles did after I left. I assume, though, that the general method of procedure was about the same.

Colonel Hull. Now, when you came to suspending a voucher—you say you had about $18,000,000 worth of vouchers suspended. I presume that in the ordinary work you would at times suspend a voucher awaiting an explanation, and if the explanation was sufficient you would remove the suspension?

Mr. Guise. Yes, sir.

Colonel Hull. So that a suspension meant merely that this voucher was questioned until some further action?

61 Mr. Guise. Suspending a voucher simply meant that it went into suspense. A disallowance of a voucher meant that it was considered not applicable to the contract for some reason or other, or an illegal payment, or something of that kind.

Colonel Hull. You also worked under the jurisdiction of the Claims Board?

Mr. Guise. Yes, sir.

Colonel Hull. At Philadelphia and Washington? So your decisions on the question as to what was a legal payment or not a legal payment was not supposed to be final, was it?

Mr. Guise. No.

Colonel Hull. Only tentative?

Mr. Guise. Only a tentative proposition.

Colonel Hull. And on the question of whether it was a legal payment, you would naturally expect your decisions to be questioned and have that passed on as a legal matter?

Mr. Guise. Oh, yes. I simply objected to what was to me a false certification, that is all.

Colonel Hull. So that this item of $18,000,000, if you had stayed there, might have been cleared up, or might have been increased?

Mr. Guise. It might have been increased or reduced; that is right.

Colonel Hull. You spoke a while ago about destruction of records.

Mr. Guise. Yes, sir.

Colonel Hull. If I may I would like to have a little more detailed information on that, Colonel Anderson.

62 Mr. Anderson. Certainly; make any inquiry you wish.

Colonel Hull. I would like to have a little more in detail what you personally know of the destruction of records.

Mr. Guise. The point as far as destruction of records is concerned is this. In making the examination of records we found that a large number of what I call primary records were missing, as I stated before. We found that at the time—now, remember this is an evidential statement, and not, of course, my own observation. Affidavits were made to this effect, however, that at the time the Du Pont Company left they transferred a large number of records to Wilmington—selected; that there were some records bundled up and—this is hearsay, based on affidavits too—that there were some records that were taken out and burned. What they were we do not know. I do know this——

Colonel Hull. Do you know anything of your own personal knowledge?

Mr. Guise. All I do know is that there were many primary records that we did find, particularly on the operating end, that were partially destroyed by acid and illegible, and others mixed up with waste paper, and other things of that kind. We found, in fact—and this is no reflection on General Horney, General Williams, I will say that. He had some help down there that was not any too good. We rescued some records from being destroyed by the Ordnance Office employees, after the place was taken over.

Colonel Hull. Do you mean that these records, formerly in the possession of the Du Ponts, had been turned over to the Government?

63 Mr. Guise. They were piled in sheds, mixed up in every way. We picked up some down in the operating departments. We picked up some, as I stated, under buildings.

Colonel Hull. But I mean, that was after the buildings and the documents and everything had been turned over to the Ordnance Department?

Mr. Guise. The buildings and documents and everything at Old Hickory had been turned over to the Ordnance Department.

Colonel Hull. How long had they been in the possession of the Ordnance Department at the time you noticed that?

Mr. Guise. Oh, about six months. I had the statement made there that they had not done anything with these records, however—from an Army officer, the information that those records had not been moved from the time they took it over—that is, these papers.

Mr. Anderson. Where are those affidavits of which you spoke?

Mr. Guise. Why, I assume that some of them are—I do not know whether you have them in your possession or not [addressing Mr. McLane]?

Mr. McLane. I have not.

Mr. Guise. They were in the files. I had affidavits in the files, a dozen of them I should say, that we left behind, under the Du Pont Engineering and Old Hickory contract.

Mr. Anderson. You left those down there?

Mr. Guise. The files were left in your possession——

Colonel Hull. They are right here.

64 Mr. Guise. You have the files right here?

Colonel Hull. Not all of them.

Mr. Guise. Those affidavits were on file; that is all I can say. I did not take away—there is only one thing that I kept when I left, and that was a copy of my final report.

Colonel Hull. Did you follow up that question of the destruction of records?

Mr. Guise. I was informed by the du Pont Company that they did not take care of any records except those they thought necessary.

Mr. Anderson. Do you recall who made that statement to you on account of the du Pont Company?

Mr. Guise. Why, most of the statements of that kind were made by Mr. Broad, the comptroller at that time; that is all I can say.

General Williams. Would anybody keep the records that they did not consider necessary, Major? I don't do it.

Mr. Guise. No; but these were not du Pont engineering records, in a sense; they were United States records. They had been instructed in the early stages—that is in the records of a conference held at Wilmington, that they were fully conversant with the type of records that were required by the Ordnance Department or the War Department for the validation of payments.

Colonel Hull. Major, you have not stated anything here today, as I recall, that was not in your report of May 20, have you, in the main? You touched on those items?

Mr. Guise. Why, in general. Of course, we had a considerable amount
65 more information, I think—have you my final report there?

Major Booton. Yes; we have several copies.

Mr. Guise. In my final report I think I covered that, practically.

Colonel Hull. Now, take up the question of what you call a fabricated report——

Mr. Anderson. Before you leave that subject, let me ask this. You said something about finding records under buildings. Were these important records, original records, or what?

Mr. Guise. They were bills of lading and records of that class more than anything else—shipping records.

Mr. Anderson. How did you happen to find them under those floors?

Mr. Guise. We were looking for records, and we pulled off a board and got down under and got them out. That is all there was to it.

Mr. Carnduff. Have you any evidence about the destruction of several hundred records by Sergeant Coffin?

Mr. Guise. Only the statements made. I have no direct evidence.

Mr. Carnduff. We will pass that now; we have another witness on that.

Colonel Hull. Let us take up the question of fabricating vouchers, which you have mentioned several times. You went into that quite thoroughly, did you not?

Mr. Guise. I spent about two days reviewing it before I made any
66 statement that they were fabricated; yes, sir—down at the plant. I
went through the files pretty thoroughly. I will not say I examined all of the files. I had not gone there for the purpose of going into detail on that.

Colonel Hull. Was there a false statement in these vouchers?

Mr. Guise. It was impossible to state, sir. The only way you can determine anything about the quantity of material that would be received, as against the invoice, would be by a definite check made by somebody, indicating the shortage or O. K. As far as I was concerned, the validation of the receipt of material on a receiving slip or the original invoice, if endorsed on the back by a representative of the Ordnance Department, that would carry it.

Colonel Hull. Did you make any statement to the du Ponts that they were manufacturing vouchers?

Mr. Guise. It was discussed with Mr. Coyne, the vice president in charge of—it seemed to be impossible for anybody to know anything about it. It was not absolutely denied, and it was not accepted as being the truth, either way.

Colonel Hull. Did you give any instruction about taking that matter to the district attorney?

Mr. Guise. No, sir; I did not consider we were to appoint—in fact, I would not do it; I would not have taken it to anybody except through the War Department, through my chief.

Colonel Hull. Did you consider taking it up, with the idea of taking it to the district attorney—that is, through channels?

Mr. Guise. Through channels? That particular thing?

67 Colonel Hull. Yes.

Mr. Guise. Why, I think I would hesitate until I had more complete evidence all the way through. I would want to finish up, so we would know how much in bulk there was, and have direct evidence.

Colonel Hull. So you had not given that any real consideration up to the time you left the Government employ?

Mr. Guise. You mean about carrying it up to the district attorney?

Colonel Hull. Yes.

Mr. Guise. Oh, no. I may have been rather rigid in my ideas, but I should never have made any move in that direction myself except through channels. I should consider it my duty to bring it to the attention—of course, these matters were brought to the attention of the Ordnance Department. If you will remember, the thing that I wanted—now, this is positive, and it is recommended in my May report. What I wanted to have put on there was the equivalent of a summary court, to examine into the evidence for the Ordnance Department, or for the War Department, either way you please, and see whether the conditions were such that they should be taken up and whether there was any definite fraud present that would invalidate the contract.

Colonel Hull. When you took the checking of the cars, where you had the bills of lading and invoices, and no receipt on file, you say you went back to the freight weights?

Mr. Guise. We made up a complete tabulation of a year's deliveries into the Old Hickory yard.

68 Colonel Hull. On some of those items in carload lots you compared the invoices with the car weights, did you not?

Mr. Guise. Yes. In some cases there were discrepancies.

Colonel Hull. How did they run on the whole?

Mr. Guise. Oh, there were cases where it was impossible—well, you must remember that the block had not been completed when I left.

Colonel Hull. I mean outside of the block were you not comparing certain items?

Mr. Guise. We found a great many that were practically correct, some correct, and some incorrect. Some were under and some were over. I should say we did find up to the time that I left that they would run a little under rather than over—up to that time. But we were tabulating—that was not taken up until late in 1920, because we had gotten to a point where certainly we could not get any evidence in any other way.

The original audit was made purely on construction. All of our investigation was on construction. The operation was not started. In fact, late in 1920 we had about made up our minds that it would be rather difficult to do anything except get rather close to an audit; that we could not make a complete audit on that.

Colonel Hull. I will ask you this question, to clear up the record, because from the questions there seems to be some misunderstanding: When the property came in the du Ponts were supposed to have a check on the property coming in, were they not?

Mr. Guise. Yes.

69 Colonel Hull. That was their check?

Mr. Guise. Yes.

Colonel Hull. And they were to check until they were satisfied that the property was received—that is, theoretically?

Mr. Guise. Yes.

Colonel Hull. And then the Ordnance Department had a limited force of checkers?

Mr. Guise. Yes.

Colonel Hull. And they made a 10-percent check of the property?

Mr. Guise. That is it.

Colonel Hull. And then the du Ponts had an accounting system, and they were supposed to make a complete accounting, and during 1917 and 1918 the Government made a 10-percent spot check of that, too? Wasn't that true?

Mr. Guise. Finance never makes a 10-percent spot check.

Colonel Hull. But was not that what the Government was doing through 1920?

Mr. Guise. You must remember that the reimbursement of expense for labor and materials paid by Finance—that an officer's signature must certify that the account is correct. The reimbursement, as far as Finance was concerned, was made out on a public voucher, stating it was correct; and so far as the check-up back of that was concerned, I do not think it was even 10 percent.

70 Colonel Hull. This is also true, is it not, that the vouchering of the Government got away behind the expenditures of the du Pont people?

Mr. Guise. Oh, I had a reviewal of that. I made a definite reviewal of how far back they were, and I will say definitely that there was no time that they did not have reasonable funds in bank. My record of that is in the files. I had a yearly statement from the du Pont Company as to the amount of funds that it would require.

Colonel Hull. I mean, the advances of the du Ponts were greater than they expected, because they had expected to use that $18,000,000 as a revolving fund, had they not?

Mr. Guise. They had more than $18,000,000; I think they had $37,000,000 on construction.

Colonel Hull. I mean, $18,000,000 was the original amount?

Mr. Guise. They had another advance later on of $18,750,000.

Colonel Hull. And had another advance, because the accounting got behind?

Mr. Guise. There was nothing in the records that showed it was far enough behind for that. They were behind in getting invoices through. According to copies of their own letters, they directed that they be shoved through faster. That is all I know about it.

Colonel Hull. That was perfectly proper, for the head office to send an order——

Mr. Guise. Oh, certainly; but the point was this. I think they strained it pretty well down at Nashville about that time. I think that is where the
question of clerical check came up. You must remember this, that in
71 any investigation of where work has been completed, the affidavits and
statements made by people on the ground, supported fairly close by ocular evidence, has to be accepted to some extent; and in this case the information given was given by people who were working for the du Ponts at the time. It was volunteered, I will say that, when we were trying to find out about why these records were there. I think they began to make up these so-called fabricated records when they got behind in their invoices. They could not get the checking through fast enough. You must remember this, that so far as I was concerned, in my stand on the proposition, I had no recourse except to follow—I was not settling a claim and I had no compromise; it was an audit to be made. Certain definite things had to be done and certain definite information had to be given. The support had to be there to validate a certification to the Finance Division, and it was not there. Now, if there was any doubt in my mind as to the validity of evidence presented, I suspended the account as far as that was concerned.

Colonel Hull. So if the best evidence was not attached to the papers, the voucher was suspended?

Mr. Guise. And in a great many cases there was not any real evidence attached.

Colonel Hull. But you would suspend the voucher?

Mr. Guise. I would suspend the voucher. You must remember this. I did not have any discretion. I was not transcendent as far as my powers were concerned. There were people beyond me that might possibly do something in
the line of eliminating my difficulties, but what I was there for was
72 to guard against any possibility of payments being made that were
contrary to the evidence and not according to either the contract or the law.

Colonel Hull. Let us get that perfectly clear. Did you ever hear of a big freight jam down there—did you tell the general—something that happened at Nashville like happened down at Tampa in the Spanish-American War, when they carried more freight cars in there than they could unload?

Mr. Guise. Why, I heard they kept a number of cars ahead. I don't think they ever told me that they had over 600 at one time ahead of the unloaders.

Colonel Hull. Did you ever hear of them spending a couple of weeks down there—checkers and everybody—alongside of the tracks, trying to break that freight jam?

Mr. Guise. That was in the early stages; it was not after the yards were finished. No; I don't know as I did—anything quite as bad as that.

Colonel Hull. Did you ever hear of anything like that?

Mr. Guise. I have heard of some interference with deliveries there—that they had to unload in some cases and get the stuff right over into the field where they needed it right away, without a chance to check it.

Colonel Hull. And under those circumstances, under your authority as you understood it, you would have suspended every one of those vouchers?

Mr. Guise. Yes.

Colonel Hull. Would there be anything improper in the Government getting a reimbursement contract and passing the du Pont expenditures on that property?

73 Mr. Guise. Under a contract audit I do not think there is anything to do except to complete the audit in accordance with the regulations.

But the du Ponts had the final—on the final clean-up, we will say, there was $10,000,000 in suspense. The contract had been audited, and there was $10,000,000 suspended. Then it was a question for them to put their evidence before a board—the audit is complete, and we have not found evidence sufficient to pay that money.

Colonel Hull. I think, Major, you would save time if you would hear the question read.

Mr. Guise. What was the question?

(The reporter repeated the last preceding question as above recorded.)

Colonel Hull. That is, the property that was unloaded in a jam and taken up and used.

Mr. Guise. I know; but you cannot carry that through the entire period This one particular thing?

Colonel Hull. Yes.

Mr. Guise. Remember, I am taking it as an officer of the United States, you understand. The only thing I can say is that it would not be proper to pass that expenditure.

General Williams. Suppose you view it as a matter of common sense instead. What would you say then?

Mr. Guise. That is entirely different. That is claims; that is not contracts. You understand my point? You must remember, there you have got the two cases, claims and contracts. I have compromised, myself, on claims, but I am darned if I would on contracts. You leave a loophole there and you
74 don't know how far you will go. I will tell you what I told Mr.
Coyne, the vice president that I dealt with. I said they did a wonderful piece of engineering down there, and a damned poor piece of financing.

Mr. Carnduff. Major Guise, as an officer of the United States, did you have any discretion to pass claims?

Mr. Guise. I was not a claims auditor. I had no authority to do anything except what the law and the regulations called on me to do there. You must remember—there may have been some officer that would have, but suppose there were. I may have been a little bit stiff necked in that direction. I did not have any o. s. d. proposition to wipe out that end of it.

Colonel Hull. On the question of the cost of making powder down there, you have it 80 cents a pound, dividing the cost by the amount produced. In answer to General Williams' question you stated that, of course, that price would have to be reduced by the amount of goods on hand—the inventory. I would like to state for the record that I understand there was about 70,000 tons of nitrate of soda left there. Is that correct?

Mr. Guise. That is rather large I think, for Nashville.

Colonel Hull. What was the approximate cost of the nitrate of soda?

Mr. Guise. At that time?

Colonel Hull. Yes.

Mr. Guise. A little over four cents, I think—four and a quarter wasn't it?

General Williams. About $90 to $100 a ton.

75 Colonel Hull. About $90 to $100 a ton. Have you any idea how many
hundred tons of cotton linters were on hand?

Mr. Guise. That was not so large. I don't remember. The values there should have been reduced.

Colonel Hull. That was cost though, wasn't it?

Mr. Guise. Yes. There was a pool fund that should have come out of that to a material amount.

Colonel Hull. Would you say there was anything like 23 million pounds of cotton linters there?

Mr. Guise. There might have been that, approximately, I should say.

Colonel Hull. Do you know how many gallons of alcohol?

Mr. Guise. No; only what I found there, at the time I visited the plant.

Colonel Hull. Suppose there was 190,000 gallons of alcohol, several hundred tons of sulphur, and a great amount of platinum——

Mr. Guise. But the platinum—those platinum construction costs—platinum masts. That was charged over, my understanding is, into construction cost at the time they put it into the field.

Colonel Hull. Sulphuric acid, nitric acid, and things of that kind?

Mr. Guise. A considerable amount, I think, as compared to Hopewell.

Colonel Hull. Would not those costs reduce your 80 cents approximately one-half?

Mr. Guise. Oh, no; hardly half.

Colonel Hull. All right; that is all.

Mr. Carnduff. Is that all?

76 Mr. McLane. Mr. Guise, you spoke of checkers. I will ask you if the company did not maintain a number of checkers who did nothing but make up false or fabricated checking cards?

Mr. Guise. All I know is the statements made to me.

Mr. McLane. All you know is the statements made to you by the individuals?

Mr. Guise. Yes.

Mr. McLane. Were those statements made by the individuals told to those in charge of the du Pont works?

Mr. Guise. Yes.

Mr. McLane. That was communicated to them while you were in charge there, that the checkers' cards were being made up in that way?

Mr. Guise. No; not being made up. I was not there at the time the operations were on. That was communicated to me long after the operations had ceased at the Old Hickory plant, and all I know about checkers' cards is this, that there are certain types of cards in the files that indicate that they were written by one person—that is, that a great many of them were—and there were about three persons, all told, that seemed to be writing that type of cards, and that those men, in tracing through the employment end of it, were clerks and not checkers. That is all I know about it. And the statement was made to me by men who were there that they had been instructed to make those.

Mr. McLane. Now, coming back to the cars and the vouchers on which car-
load shipments were received, I will ask you if you found on the same
77 date the same number of a car on two different vouchers, as showing the
arrival at the plant of two cars with the same number at any time?

Mr. Guise. You are getting down to details now. You must remember there were thousands and thousands of cars. There were one or two instances that I can remember. I can't go beyond that.

Mr. McLane. In each instance were those duplicate cars received from other companies belonging to the du Pont people?

Mr. Guise. I couldn't absolutely make that statement, because it has passed from my memory now. The principal thing that I objected to was the transfer of materials from the du Pont de Nemours plant to the Old Hickory plant, and the cost of that going against the Old Hickory contract.

General Williams. Major, what percentage of error would you consider permissible?

Mr. Guise. Permissible do you mean in the receipt of materials?

General Williams. Yes; in these records. Would you expect that everything would absolutely check up?

Mr. Guise. No.

General Williams. Well, now, you are a man of experience in manufacture, and all that kind of thing?

Mr. Guise. Yes.

General Williams. You would have some idea.

Mr. Guise. We ordinarily allow 5 percent variation, maximum.

Mr. McLane. You spoke of finding discrepancies in freight rates.

78 Mr. Guise. Yes, sir.

Mr. McLane. I will ask you what was the amount of recovery at the time you were ordered to cease tracing freight rates?

Mr. Guise. The actual amount that had been brought to my attention by direct audit——

Mr. McLane (interposing). Yes.

Mr. Guise (continuing). Not by reviewing of rates, but by direct audits, was something over sixty or eighty thousand dollars.

General Williams. Major, may I ask you: Were you ordered to cease tracing freight rates?

Mr. Guise. No, sir; I was not.

General Williams. Mr. McLane, I believe, put his question that way.

Mr. McLane. Yes; I did. I understood that that was what he stated.

Mr. Guise. I will say that we were not ordered to cease figuring freight rates. I was not.

Mr. McLane. I will withdraw that question then.

Mr. Guise. No; there was a question of method, but there was never any direct order given to cease auditing. The statement was made to me, however, that it would have to be audited elsewhere than there; it would have to be audited by a transportation division somewhere that was fully conversant with freight rates. But we didn't audit freight rates. We only checked discrepancies in freight rates indicating that there was a probability that an audit should be made.

79 Mr. Carnduff. Has the Board finished with the witness?

Mr. Anderson. Are you through, Mr. McLane?

Mr. McLane. Yes, sir.

Mr. Anderson. Major, have you told the committee all that you know about this situation down there? Was there any further statement that you could make that would help us in arriving at the actual facts of this situation in a survey?

Mr. Guise. Why, of course, Colonel, you must remember this: I could enlarge on any amount of things. The point is that there are people who can give direct evidence which they reported to me, where I would have to give the same thing in another way.

The question of discrepancies I think I have gone into pretty thoroughly from my viewpoint. I have never charged that the officers of the du Pont Engineering Company definitely themselves committed any fraudulent acts in any way. I will say this plainly, that I think some of their employees came very close to it. It may have been partially on account of their desiring to make a good showing. It may have been possibly in some cases where there was personal gain from it. But if I would go into it, and enlarging on that—why, there are a great many more witnesses to come, and your direct evidence, as far as that is concerned, can come from other witnesses probably better than from me.

Mr. Anderson. What I mean is this, that we are trying to make this survey a final and complete investigation of the situation, to the end that we may either take such action as necessary to defend the Government, to protect
80 the interests of the Government, or close the matter with the evidence
that the Government interests have been protected.

Mr. Guise. I see.

Mr. Anderson. And we would therefore like you to say anything now that you wish to say, for this is the last chance that you are going to get, unless we take the alternative view that further action is necessary.

Mr. Guise. I will say this, that the irregularities present were sufficient for me to believe that profits were made over and above the amounts stated in the contract.

Mr. Anderson. By the du Pont Engineering Company?

Mr. Guise. By the du Pont Engineering Company.

Mr. Anderson. Did you have any reason to believe that the du Pont Engineering Company made a profit out of their subsidiaries and purchases?

Mr. Guise. Yes, sir.

Mr. Anderson. If so, could you indicate the source of your information or belief so that we could follow it?

Mr. Guise. In the reviewal on paint alone—now I cannot give this man's name, that is the worst of it—one of these well-known men in Nashville. He is an employee in the bank there now, but I only interviewed him in passing through Nashville on my way to the train. In this particular case they were directed positively to buy Harrison paints no. 1.

General Williams. I didn't understand that.

Mr. Guise. They were directed positively to buy the Harrison paints. That
is the du Pont subsidiary. This man, being a resident in Nashville,
81 possibly would know him better than I would [referring to Mr. McLane].

Mr. McLane. Was it Alexander?

Mr. Guise. That sounds like the name. I made a note of it at the time. I made a memorandum.

Mr. McLane. What bank, do you remember?

Mr. Guise. It is on the corner.

Mr. McLane. The bank in Nashville on Fourth and First—the Old Hermitage?

Mr. Guise. I think it is Fourth and First. I wouldn't swear to it. He is an old employee of Mason & Hangar Company, that is all I can say, and he stated that they are directed to use Harrison paints.

General Williams. Mason & Hanger were subcontractors, were they?

Mr. Guise. Mason & Hanger were subcontractors.

General Williams. Who gave the directions?

Mr. Guise. That came from the—so this man informed me—well, it was published directions, I know it was shown to him, from the supervising engineer of the du Pont Company.

Mr. Carnduff. Can you give me a description of him?

Mr. Guise. A man of medium height, pretty well along in years.

Mr. Carnduff. May I bring in Mr. Towler? He will not be a witness.

Mr. Anderson. Mr. Towler is representing the Department of Justice.

Mr. Carnduff. Yes.

Mr. Anderson. I assume, of course, it will be all right to bring him in. He is head of the Department of Investigation?

82 General Williams. Yes.

Mr. Guise. There were so many miscellaneous hearsay items that came up there. The Department of Justice has had records that I did not have, you understand, and questions were discussed with the Department of Justice employees to ascertain whether they knew about such things, and where I could get in touch with certain men. There were not any complaints made, or anything of that kind, but they were asked for information, because they had been in touch with some of these men, and especially in the transfer of materials. They were irregular, the du Ponts were, in their transfers. They transferred machinery, for instance, from Old Hickory to Racine; from one company account to another, we will put it that way, without any check-up, and put through a memorandum voucher, and we found the same things, the identical things on both.

General Williams. These were both Government plants?

Mr. Guise. They were both to be Government plants; yes, sir. They did transfer things of that kind, and they did transfer materials, to my knowledge—in fact, their own memoranda show that—they did transfer materials from the Hopewell plant to the Old Hickory plant, and they did divert materials that had been billed to the Hopewell plant to the Old Hickory. That is as far as I know in that direction.

General Williams. Was there any reason why that should not have been done?

Mr. Guise. Well, there comes a question of dormant contracts, General. In one case it would have been a saving to the Government, and in the 83 other case it was a cost. When a contract becomes dormant you have got two things there in question. Here is one where they will load up; they had more coming in than we needed; the contract was cancelled, and they transferred the stuff there. In the other case it became Government property as soon as the transfer was made there. So there is your question of dormant contracts; there is where the question or dormant contracts comes in. Whether they should be able to increase the cost to the United States after a contract becomes dormant.

Mr. McLane. Did you find any irregularities in the grades of lumber, and the number of feet received per car?

Mr. Guise. The only exhibit we had on that was where we had checking reports showing shortages. The question of grades we did not enter into very far up to that time. We had statements made that there were irregularities.

Mr. McLane. You had statements made that there were irregularities?

Mr. Guise. That is a question that could only be determined by me or by any representative of mine by ocular representations. There were statements, however, that there were irregularities in that line. That is all I can say. I don't know who they got their lumber from.

The doubtful items, as far as gain was concerned, to the du Pont organization, rests more with component materials than any other thing.

General Williams. What do you mean by "component materials"? Those entering into the manufacture of powder?

Mr. Guise. Those entering into the manufacture of smokeless powder; yes, sir.

84 General Williams. The raw materials?

Mr. Guise. The raw materials; yes, sir.

General Williams. All right.

Mr. Guise. The question of how far they controlled—I am speaking now of the du Pont group—how far they controlled the purchase of linters outside of the pool, and how far they controlled the purchase—that is purchasing in advance, you understand; owning a large percentage, if not all of the materials before they were billed in to the Government, and purchasing at a lower price, and other things of that kind, were the most probably suspicious points in view there.

And then this question that arose, as I stated, on shavings alone was sufficient, of course, to cast doubt on any other materials for which we had vouchers until they were carefully reviewed. When you consider that they covered almost all of the shavings delivered, that there was a difference of a cent a pound, better than a cent a pound mainly, it would cast doubt on their prices until they had been carefully reviewed and followed back to the point of origin.

Mr. McLane. Was your attention called to an overcharge in Chevrolet cars?

Mr. Guise. They were above Government prices; yes, sir.

Mr. McLane. Who owned the company that the cars were purchased from?

Mr. Guise. Why, it is the General Motors, Durant proposition, a du Pont organization, I believe.

General Williams. When did the du Ponts buy into the General Motors?

85 Mr. Guise. I don't know. They had a lot in there for a long time.

Mr. Carnduff. In 1915.

General Williams. Their big interest they bought in 1915.

Mr. Carnduff. The du Pont interests entered into the General Motors in 1915.

Mr. Guise. That was a hard question. We had a hard crack at it at Tullytown, as well as at Nashville, the question of Government price against other prices. I don't remember the total amount there so far as that is concerned.

Colonel Hull. Cars or trucks, Major?

Mr. Guise. Cars. Sixty-five percent of the cars, practically, that they had at the Old Hickory plant were Chevrolets. And when General Horney took that over 65 percent of the cars at the Old Hickory plant were in scrap, and they were all Chevrolets. That is the principal thing I remember about the Chevrolet down there; all the Chevrolets were in scrap when General Horney took it over, and about 65 percent of the cars were Chevrolets. I wouldn't say 65 percent of the value, because they had Stutz cars down there as well as Fords.

Mr. Anderson. Have you any other point that you feel you have not covered, that can give us any suggestions, Major Guise?

Mr. Guise. I can only give it to you in a general way. I think you can get more information in detail on the cost-accounting proposition—in fact, you can get more information in a great many things, except in general in my
86 own section, from Mr. Peebles than you did from me and Mr. Youmans
will give you all you want to know on the cost-accounting end, probably. He was on the job during the entire active period of the accounting, and he had direct charge of all cost-accounting matters. And Mr. Cobb could give you information on that matter.

Mr. Anderson. You have been kind enough to come here, Major, and now what I want to know is this: You feel that you have given us all the information available, and now you feel that you have exhausted the information that you feel you can give for the benefit of the Board?

Mr. Guise. I don't think that I could give you any more definite information. You understand primarily the reason why the suspension was made. There wasn't evidence back of the vouchers that was competent evidence; the evidence was secured back of the vouchers presented; that was all.

Mr. Anderson. I am very much obliged to you, Major. We appreciate your courtesy in coming here and helping us out.

General Williams. Thank you, Major.

(Witness excused.)

Mr. Carnduff. I would like to introduce the Board to Mr. Youmans.

87 STATEMENT OF G. E. YOUMANS, SWARTHMORE, PENNSYLVANIA

Mr. Carnduff. Your name is G. E. Youmans? You reside at Swarthmore, Pennsylvania, and you are at present Supervisor of Accountants of the Internal Revenue Department of the Treasury?

Mr. Youmans. Supervisor of Collector's Office.

Mr. Carnduff. Will you please state to the Board your former connection with the du Pont engineering transaction, and anything to your knowledge that you feel the Government should know about that? Just tell your story informally.

Mr. Youmans. My first connection with the du Pont Engineering Company contracts was in December 1919.

Mr. Anderson. You refer now to the Old Hickory, do you?

Mr. Youmans. I was never there—yes; I was down there once, I believe; yes; but not during the active operation of the contract, though.

Mr. Anderson. Very well. Proceed.

Mr. Youmans. Then as accountant in charge under Mr. Cobb, supervisor of the cost-accounting branch of the Philadelphia district. Subsequently I became supervisor of the Philadelphia district, the cost accounting branch, and continued the supervision of the audit of these contracts. And I continued in that capacity until about September 1921, at which time Major Farr, a special representative of the Secretary of War, took entire charge of the audit of the du Pont Engineering Company contracts, and then I continued to operate under his direction until some time in November 1921, at which time I resigned.

88 Mr. Carnduff. Please state the circumstances of your resignation, and the reason for it.

Mr. Youmans. I resigned so that I could, in my private capacity, make a report to the Comptroller General, placing before him in this report certain matters that I thought he might not learn of through the settlement or award that was being prepared on these contracts.

Mr. Carnduff. Just tell the Board what the basis of your report was, briefly, and the reasons for it.

Mr. Youmans. Why, I prepared a statement which included items that he had previously disapproved.

General Williams. Who had previously disapproved?

Mr. Youmans. The Comptroller General.

General Williams. Yes.

Mr. Youmans. Showing the disposition that had been made of them by the present control over the audit of these contracts. It was impossible to get an advance ruling on the items and principles involved in this audit without presenting a bona fide voucher. So in the course of time vouchers were prepared, and attached to them were the contractor's receipted vouchers supporting them. These vouchers embodied practically all of the principal disputed items, and his decision regarding the propriety of payment resulted in practically an interpretation of the contract, and in a great measure supported the interpretations that had already been given by the cost-accounting branch.

Mr. Anderson. Mr. Youmans, have you a copy of the report which you made on this subject?

89 Mr. Youmans. I think not. The copy that I did have was turned over to Mr. Cameron, I believe.

Mr. Anderson. Have you got it, Mr. Cameron? You have a copy of Mr. Youman's report?

Mr. Cameron. I cannot recall it, but assuming that he turned it over to me, I have it.

Mr. Carnduff. Either he or Mr. Cunningham of the Department of Justice has it.

Mr. Anderson. That is the report to the Comptroller?

Mr. Youmans. Yes.

Mr. Anderson. Now, Mr. Youmans, perhaps we can get along more expeditiously if I ask you a few questions to clear up my mind. You were at that time a civilian employee of the Government in connection with the War Department, were you?

Mr. Youmans. Why, at what time? When I made this report?

Mr. Anderson. No; before you made this report.

Mr. Youmans. Yes.

Mr. Anderson. And let me say: Feel that you can talk perfectly honestly, because there is going to be no criticism one way or the other, because we want the full facts, and if you have felt it your duty to criticize anybody, say so. That is the right of the American citizen, you know, even of the courts. We do that. Then what time was it that you resigned?

Mr. Youmans. Why, sometime in November. I don't remember as to dates. November 1921.

Mr. Anderson. November 1921. How long had you then been connected with this work?

Mr. Youmans. On the du Pont Engineering Company contract since December 1919.

90 Mr. Anderson. You worked at Wilmington, did you, or at Philadelphia?

Mr. Youmans. Wilmington first. Subsequently removed to Philadelphia, and then back again to Wilmington.

Mr. Anderson. Just what was your position in connection with it? You said you were supervisor.

Mr. Youmans. Supervising the cost-accounting branch. Not exclusively the du Pont Engineering Company contracts.

Mr. ANDERSON. Why did you feel that you had to resign in order to make a report to the Comptroller General? Did you feel that there were irregularities going on which you could not report efficiently unless you were free as a private citizen to say as you thought?

Mr. YOUMANS. Well, yes.

Mr. ANDERSON. Don't hesitate to come right out and talk.

Mr. YOUMANS. There was a sense of loyalty. As long as I was employed by the Ordnance Department, why I made, prior to that, all my reports to them.

Mr. ANDERSON. Of course. Now, what were the conditions which led you to feel that you ought to take such a drastic step as to resign in order to make that report?

Mr. YOUMANS. I understood, or I was told—I don't remember by whom—that the award would be finally made in a lump sum on these contracts?

Mr. ANDERSON. Yes.

Mr. YOUMANS. And such an award would practically bury all detail. And in that lump-sum award would be these items that we had excluded, and the Comptroller General himself had excluded and said were not proper items of expense on the contract.

91 Mr. ANDERSON. Could you describe generally the character of items to which you refer?

Mr. YOUMANS. I can recall some of them. Some of them were pay-roll errors, duplicate payments, and nondelivery of material; that is, shortages of material. The payment of bonuses to salaried employees subsequent to the closing of the contract.

Mr. ANDERSON. When you say the closing of the contract, do you mean termination?

Mr. YOUMANS. Subsequently to the closing of the plants.

Mr. ANDERSON. Subsequent to the closing of the plants?

Mr. YOUMANS. The conclusion of the operations.

Mr. ANDERSON. Can you state approximately the amount of the items so disallowed by you which were to be included in the final lump-sum allowance?

Mr. YOUMANS. My impression is about the time that I resigned there was approximately $5,000,000, some of which might have been subsequently cleared through the establishment of delivery of material. A great deal of this, or quite a proportion of it, was suspensions for lack of proof of delivery of material. And the contracting officer's force were working upon this phase of the audit, attempting to prove delivery. The proof of delivery having been placed upon the Government instead of the contractor. And through railroad records they established delivery of material on several millions—perhaps five or six million—prior to the time I resigned.

Mr. ANDERSON. What do you mean by the proof of delivery having been placed on the Government instead of the contractor?

92 Mr. YOUMANS. The contractor claimed that he had spent the money, and he was going to get all that was coming to him. He didn't have to bother about proving delivery of the material at the plant.

Mr. ANDERSON. Well, he claimed that, but was that claim allowed?

Mr. YOUMANS. Well, he had paid himself and there was no proof of delivery until we took it up through the railroad records, but I understand that even those items that we disallowed, because we could not show delivery, were ordered paid notwithstanding.

Mr. ANDERSON. Well, now, let me get that a little clearer. You mean to say that because the contractor had money in his hands belonging to the Government of the United States, and he credited himself with the deliveries of material, that he required you to assume the burden of disproving delivery?

Mr. YOUMANS. He did.

Mr. ANDERSON. As a condition of removing the credit?

Mr. YOUMANS. Well, not even removing the credit. The proof of delivery was up to the Government employees.

Mr. ANDERSON. The proof of nondelivery was up to the Government by eliminating delivery; is that so?

Mr. YOUMANS. Well, yes; practically.

Mr. ANDERSON. The same thing; practically the same.

Mr. YOUMANS. Well, I don't know whether even then we could prove nondelivery, but we could make every possible effort to prove delivery.

Mr. Anderson. In other words, you would not allow anything as a credit the delivery of which you could not establish; is that the idea?

93 Mr. Youmans. That is the idea.

Mr. Anderson. And he did not assume the burden of establishing the delivery of anything?

Mr. Youmans. He did not; no.

Mr. Anderson. Now, how long were you at work on this project, on this contract?

Mr. Youmans. Well, it was over a year and a half.

Mr. Anderson. Mr. Youmans, what conditions did you find with respect to the records of the DuPont Company covering this operation?

Mr. Youmans. Why, the records were accurate, but very lacking in detail.

Mr. Anderson. Lacking in detail?

Mr. Youmans. Yes.

Mr. Anderson. Now, please explain what you mean by that, and, if you can do it, indicate to us what records you used in verifying the account, and the character of records.

Mr. Youmans. When I said they were lacking in detail there came to my mind miscellaneous credits. There were several million dollars that they had allowed the Government for miscellaneous credit. They were almost entirely lacking in detail. We scarcely knew from what source they came. Material sold, and refunds, and sales from commissary, all that sort, so lacking that we could not tell whether they should be five millions or ten millions coming to the Government. It was very difficult to determine that.

Mr. Anderson. Did you find the records of receipts of material complete?

Mr. Youmans. No. Those were particularly lacking.

94 Mr. Anderson. Then how could you verify deliveries claimed by the du Pont Company?

Mr. Youmans. Most of it was done through the railroad records, the records of the railroad showing delivery of the materials, and not depending upon the du Pont records, because they were so incomplete.

Mr. Anderson. Now as I understand it the du Pont Company received so much money from the Government.

Mr. Youmans. Yes.

Mr. Anderson. As advances under this contract, and those advances were constantly kept up by payment on vouchers allowed?

Mr. Youmans. Yes.

Mr. Anderson. So that when the contract was terminated, on the face of the papers the Government had a credit with the du Pont Company of a very large sum of money, amounting to some millions of dollars, is that true?

Mr. Youmans. Well, a few millions, but not the entire advance.

Mr. Anderson. Not the entire advance, but a very considerable sum?

Mr. Youmans. Yes.

Mr. Anderson. Now, they had taken credit for themselves against this balance or advance by the Government for all material and labor and so forth covered by the contract which they claimed to have delivered or rendered, is that it?

Mr. Youmans. Every bit.

Mr. Anderson, And you undertook to check their credits which they
95 had taken against the Government advances from their records, is that the case?

Mr. Youmans. Yes, sir; we did. We verified all expenditures.

Mr. Anderson. You verified all the allowed expenses?

Mr. Youmans. We verified all the expenditures that they claimed.

Mr. Anderson. You verified all the expenditures that they claimed?

Mr. Youmans. Yes.

Mr. Anderson. Now, could you verify those expenditures from the available records to your satisfaction as an accountant?

Mr. Youmans. We could verify the actual expenditure. We had a cancelled check for all the moneys that they claim to have spent.

Mr. Anderson. Yes; but you did not accept the mere fact of expenditures as conclusive evidence of their right to credit, did you?

Mr. Youmans. No, sir.

Mr. Anderson. Well, then, how did you verify their right to credit?

Mr. Youmans. By handling each individual voucher in considering its applicability to the contract itself and the necessity for the expenditure.

Mr. ANDERSON. Did you find vouchers to support all their credits which you had allowed up to that time? I mean by that, original papers?

Mr. YOUMANS. Yes; showing that the money had actually been spent.

96 Mr. ANDERSON. Did it show for what the money was actually spent?

Mr. YOUMANS. Some of it only in a general way. Like traveling expenses. Detail was very lacking on that.

Mr. ANDERSON. How about for material?

Mr. YOUMANS. They described the material on all the vouchers.

Mr. ANDERSON. They described the material on all the vouchers?

Mr. YOUMANS. Yes.

Mr. ANDERSON. Did they have supporting papers?

Mr. YOUMANS. No.

General WILLIAMS. That was where your trouble came then, in supporting papers?

Mr. ANDERSON. Yes; that is what I am getting at.

Mr. YOUMANS. That is the proof of delivery that we required.

Mr. ANDERSON. Yes. Then you had to verify the delivery of material solely from the railroad records where they were lacking in supporting papers?

Mr. YOUMAN. Almost entirely.

Mr. ANDERSON. And when the railroad records showed their delivery you allowed them credit for that material, is that right?

Mr. YOUMANS. Yes.

Mr. ANDERSON. Now taking the labor. Were the vouchers for labor payments supported by proper evidence?

Mr. YOUMANS. That was only partially audited, the payrolls.

97 Mr. ANDERSON. What do you mean by "partially audited"?

Mr. YOUMANS. That is, partially reviewed. They were supposed to have been audited at the time that the disbursement was made. We undertook to review—make a review audit of the pay rolls. We had spent quite a considerable time, and had suspended practically $60,000 in duplicate and overpayments. It was taken under advisement by the District Claims Board—the amount to be saved, as compared to the cost of making the audit—and they determined that the review should not be completed on the balance of the pay roll.

Mr. ANDERSON. What percentage of the pay roll did you audit? Approximately?

Mr. YOUMANS. I think about 25 percent of that had been completed before I took charge.

Mr. ANDERSON. What percentage of the material accounts did you audit?

Mr. YOUMANS. Why, of all the contracts I suppose about 85 or 90 percent.

Mr. ANDERSON. Did you make a complete audit of 85 or 90 percent of the vouchers?

Mr. YOUMANS. Yes.

Mr. ANDERSON. And in every instance satisfied yourself as an accountant that they had adequate supporting evidence, either from the railroad receipts or from other sources?

Mr. YOUMANS. Yes, sir.

Mr. ANDERSON. Then, as a result of your complete audit to the extent of 85 or 90 percent, and 25 percent of the labor accounts, you had a balance which you refused to allow of some 5 million dollars in suspensions?

98 Mr. YOUMANS. Practically.

Mr. ANDERSON. Of the entire accounting claimed by the du Pont Co.?

Mr. YOUMANS. Yes.

Mr. ANDERSON. In other words, if that balance could be cleaned up and audited you would have to do a complete audit of the du Pont Company and the settlement of their accounts; is that right?

Mr. YOUMANS. Well, that would not have completed the audit. There was quite considerable to do besides that. After establishing delivery of material the operating cost; that is, the operating processes had to be checked up and the amount of material used.

Mr. ANDERSON. I see.

Mr. YOUMANS. Recovered and reused. There was another large item of commissary expense. Perhaps that was four or five millions in itself. It was operated jointly thetween construction and operation. It was allocated especially to the two contracts, one bearing a profit and the other not, except a dollar. That was never audited.

Mr. Anderson. Now then, in addition to the $5,000,000 expenses, there was a good deal of auditing yet to be done when you discontinued your connection with the work?

Mr. Youmans. Yes.

Mr. Anderson. The work was still in progress, was it?

Mr. Youmans. Yes.

Mr. Anderson. Why did you conclude that they were going to allow a lump sum to settle the whole thing?

Mr. Youmans. I was told so.

99 Mr. Anderson. You were told so?

Mr. Youmans. Yes.

General Williams. Who by?

Colonel Hull. Authoritatively?

Mr. Youmans. I think it came from Major Farr, came down through channels that that would be the way it would be handled; that there would be a lump-sum award.

Mr. Anderson. Settlement; yes.

Colonel Hull. Did you get that from Farr?

Mr. Youmans. I am not sure.

Colonel Hull. That is important.

Mr. Youmans. It came to me in a way that I accepted it as official and as true, anyway; that that was the way the settlement was to be made; a lump-sum award, instead of submitting vouchers and detailing the contractor's bills or paid vouchers in support—that there would be an award made.

Colonel Hull. I would like to have you fix that as definitely as you can.

Mr. Anderson. How can you fix about the time that that information reached you, and whether it was verbal?

Mr. Youmans. Why, it was verbal.

Mr. Anderson. It was verbal?

Mr. Youmans. Yes.

Mr. Anderson. You are sure it came to you from a Government representative?

Mr. Youmans. Yes; it came to me from a Government representative.

General Williams. And before you resigned?

Mr. Youmans. Oh, yes; probably two or three weeks before I resigned.

100 General Williams. You resigned then in September, you say?

Mr. Youmans. I resigned in November.

General Williams. November of '21?

Mr. Youmans. Yes.

Mr. Anderson. Just two or three weeks before you resigned?

Mr. Youmans. Yes.

Mr. Anderson. And you regarded that as official?

Mr. Youmans. Yes; I did regard that as official; I accepted it. In fact, the suspension of the writing of the vouchers would indicate that also, because up to that time we were preparing the vouchers in the regular way of a cost-plus contract, detailing the vouchers, and approving for payment by the Treasury Department, or the War Department.

Mr. Anderson. Now, Mr. Youmans, did you think at that time, or have reason which was sufficient in your judgment to believe that there had been irregularities? And when I use the term, I do not necessarily mean fraud, but irregularities in the performance of this contract, or in the settlement of this contract? I want you to speak out quite frankly and tell us what they were, if you thought so. The fact that you thought so does not make it necessarily true, but it will enable us to investigate what were your conclusions.

Mr. Youmans. Why, it seemed very evident to me, because we were handling similar contracts right along, and these were not handled in the same way, they were not operated in the same way. On other contracts, before the purchases were made they were approved by some price-approving body
101 or representative. And there were no price approvals made on the du Pont Engineering Company contracts, so far as I know, except in some isolated cases after the goods were purchased, and those were by rubber stamp, and initialed by some officer on them.

Mr. Anderson. Did you find any evidence, in your opinion, meriting consideration, that the du Pont Company availed themselves of this condition to buy, either from their subsidiary companies, or anyone else, at extravagant prices?

Mr. Youmans. I was not in a position to know just how extravagant they were in comparison to what they actually had to buy. I knew they bought from subsidiary companies, but I never went very extensively into the comparison of prices, only they seemed very high to me, and going higher.

Mr. ANDERSON. Well, you said they bought from their subsidiary companies. Could you suggest some of the names of those companies, if you know them?

Mr. YOUMANS. Well, the paint company is one.

General WILLIAMS. What paint company?

Mr. ANDERSON. Do you mean the Harrison Paint Company?

Mr. YOUMANS. Yes. And then I have forgotten the name of this wall board; I think they supplied all of them.

General WILLIAMS. Beaver Board Company?

Mr. YOUMANS. Let's see—I don't think it was Beaver Board.

Mr. ANDERSON. Any motor cars?

Mr. YOUMANS. Why, I don't know of any.

Mr. ANDERSON. Do you recall any purchases from Mason-Hanger Company?

102 Mr. YOUMANS. Do I recall any purchases from Mason-Hanger Company?

Mr. ANDERSON. Yes.

Mr. YOUMANS. No; any more than the subcontract that the Mason & Hanger Company operated.

Mr. ANDERSON. Yes. Now, did you see any evidence there of their paying profits to these subsidiary companies which seemed abnormal? I am not undertaking to cross-examine you, but merely to get at some definite points that we can investigate, if you have any in mind.

Mr. YOUMANS. Profits to subsidiary companies—I don't know as they paid any profits. Unless included in the purchase price. Perhaps you have in mind the Mason & Hanger subcontract, on which I considered there was an excessive fee paid.

Mr. ANDERSON. Well, tell us about that.

Mr. YOUMANS. Of course, there is a difference of opinion as to the interpretation of that contract—that subcontract.

Mr. ANDERSON. Well, give us your opinion.

Mr. YOUMANS. But it appears to me that $205,000—I think it is the maximum fee expressed—or two hundred and fifty—and $1,026,000 was paid them.

Mr. ANDERSON. What do you mean "as"?

Mr. YOUMANS. As profits. Mason & Hanger furnished no money, nor much of anything else as far as I can figure out. The Government financed the whole transaction. Mason & Hanger loaned their skeleton organization—I think there was only one man that did not draw a salary, possibly
103 two men that did not draw a salary which was reimbursed by the Government through the du Ponts, and it got a fee of $1,026,000.

Mr. ANDERSON. Do you mean a percentage on the amount expended on their subcontract?

Mr. YOUMANS. Yes.

Mr. ANDERSON. That was actually allowed, was it?

Mr. YOUMANS. They paid themselves; they reimbursed themselves. It was paid to Mason & Hanger, and they reimbursed themselves to Mason & Hanger.

Mr. ANDERSON. Do you know whether that was allowed in the final settlement or not?

Mr. YOUMANS. I cannot say.

Mr. ANDERSON. Now, were there any other evidences of what you conceived to be irregular or improper transactions that came under your observation in connection with it?

Mr. YOUMANS. Well, the principal thing is their lack of, you might say, support; their actual unaccountability for the money expended. For instance, labor scouts were given five or ten thousand dollars, and they were sent out, and they reported in a statement or a letter, or something, to the effect that they had purchased railroad fares and paid meals in transit for so many men, amounting to so much money, and that is all the support we had. We were not sure whether they employed one man, shipped one man, or whether they bought one meal, or whether they delivered one man or two men at the plant. That was the support that was given an expenditure of five or ten thousand dollars.

104 Mr. ANDERSON. Can you recall any other large items that were unsupported of that character?

Mr. YOUMANS. Well, of course, traveling expenses were very large items that were lacking in detail. They would seldom, if ever, mention the reasons for making the trip or in any way explaining the necessity for it, and making it very difficult to audit and pass upon the expenditures of those funds. It might have been a joy ride.

And then moving expenses in and out of the plant of employees. If their goods were in storage the contractor paid their storage bill then due, paid for the packing of the furniture, the transportation of it to the plant, the settling of the house at the plant, and at the time of the closing of the plant, or subsequent to it, when they returned, why, the same operation was gone through again, paying all the expenses, paying the transportation of the employee's family. And in case of breakage, why, the contractor paid for the breakage of furniture. Apparently no attempt being made to hang a responsibility on the railroad; either the railroad or the packer or the shipper. The contractor assumed the breakage.

Mr. Carnduff. Mr. Youmans, you might speak briefly of vacation allowances, machinery, and electrical fixtures.

Mr. Anderson. I wish you would take that up now. You know more about this than I do, Major Carnduff.

Mr. Carnduff. All right. Tell the Board briefly about vacation privileges allowed.

Mr. Youmans. From 30 to 60 days were allowed the salaried employees after their services terminated. This was given them in addition to their
105 transportation home, and was paid them, regardless of whether they had worked three days—that is, the minimum allowance was paid them, whether they had worked three days or a longer period.

Mr. Anderson. What was the minimum allowance?

Mr. Youmans. Well, it was not less than thirty days, and I think it was sixty—it was either sixty or ninety days; I am not so positive about that.

Colonel Hull. Wasn't it thirty days?

General Williams. It must be a matter of record.

Colonel Hull. It must be a matter of record.

Mr. Youmans. Yes; it must be a matter of record.

Colonel Hull. Some thirty and some sixty.

Mr. Youmans. I rather think so.

Colonel Hull. Well, it is all a matter of record.

Mr. Carnduff. Let us have machinery and electrical fixtures. What discrepancies, if any, did you find there?

Mr. Youmans. Well, I don't recollect just what you refer to there. I rather think that that is something that Mr. Peebles developed in his checking up the physical property.

Mr. Carnduff. We will get that.

Mr. Youmans. Yes; in the matter of checking up the physical property.

Mr. Carnduff. And when you referred to 85 percent of deliveries being reconciled by the freight bills, were you referring to all expenses or merely to operation expenses, or to construction, or which?

Mr. Youmans. I was referring to both operation and construction.

Mr. Carnduff. Both operation and construction?

106 Mr. Youmans. Yes.

Mr. Carnduff. Is there anything else you can add briefly, Mr. Youmans?

Mr. Youmans. I had not mentioned particularly these bonuses paid.

General Williams. Well, that is all a matter of record, too, I believe.

Mr. Youmans. Oh, yes; that is all a matter of record. We had a great deal of correspondence with it.

Mr. Anderson. Now, Mr. Youmans, were there any other facts in connection with the matter which made you feel it your duty as a citizen to bring this matter to the attention of the Comptroller General in the form of a protest, other than you have indicated?

Mr. Youmans. No; I had no other motive whatever except to get before him what was liable to be presented in that lump-sum award.

Mr. Anderson. Well, do you know how much was paid in the lump-sum award?

Mr. Youmans. I never knew anything about the award. It was made subsequent to my connection with it.

General Williams. There was an award, was there?

Colonel Hull. I will say that I never heard of the term "lump-sum award" in the du Pont Engineering Company until it was mentioned today.

Mr. Anderson. What was the general character of your report to the Comptroller General? Merely a protest against payment?

107 Mr. Youmans. It was not a protest even. I criticised no one at all. Merely presented some facts that I wanted to get to him so that he would be warned and know what that lump sum might contain.

Mr. Anderson. And it dealt chiefly with the items that you reviewed?

Mr. Youmans. Yes, and I showed the action taken by Major Farr on those same items.

Mr. Anderson. Well, what was that action?

Mr. Youmans. Approved all the items that the Comptroller General had suspended.

Mr. Anderson. Major Farr did approve all the items?

Mr. Youmans. Yes.

Mr. Anderson. Now, without in any way suggesting criticism of Major Farr I would like to ask you if there are any other actions of his that you think are subject to criticism, or difference of opinion even, because we are investigating all these things, you know. We want to get at the facts, and I don't mean to imply by that the slightest criticism of either Major Farr or yourself.

Mr. Youmans. Why, the only comment I can make there is simply a comparison between his printed decisions made as presiding officer in the Board of Contract——

General Williams. Adjustment.

Mr. Youmans (continuing). Adjustment, I think it is.

General Williams. Yes.

Mr. Youmans. The records are full of decisions on parallel cases, and they were entirely opposite or opposed to those made in the Du Pont Engineering Company.

108 General Williams. I would like to ask Mr. Youmans a question or two.

Mr. Anderson. Are the decisions in the du Pont Engineering Company cases in writing? Were they in writing?

Mr. Youmans. Yes; I believe I have a copy of it. It is bound. Now hold on. The hearing we had before them was printed. But these subsequent decisions and approvals were not included in that, because he was not acting then in connection with the Board of Contract Adjustment.

Mr. Anderson. Just approved papers?

Mr. Youmans. Yes.

Mr. Anderson. Do you regard it as in conflict with his decision as chairman of that board?

Mr. Youmans. Yes.

Mr. Anderson. Anything else in that connection which you suggest was erroneous?

Mr. Youmans. No; I have nothing more to say in regard to that.

Mr. Anderson. Now, General, I am through.

General Williams. You spoke about certain Comptroller's decisions, and as I understood you to say, the principles of those Comptroller's decisions were not followed?

Mr. Youmans. No; they were not.

General Williams. Were vouchers prepared and passed for payment contrary to the decisions of the Comptroller?

Mr. Youmans. Major Farr ordered those items approved, the identical items that the Comptroller had disapproved.

General Williams. Without any further evidence or supporting evidence in the matter?

Mr. Youmans. Exactly.

109 General Williams. And the Comptroller had specified these particular things as disapproved?

Mr. Youmans. Yes. I took this particular method of getting the Comptroller General's interpretation of that contract.

General Williams. That is all I care to ask.

Mr. Carnduff. Mr. Youmans, is there anything further you can add before leaving this committee that will throw any further light on the investigation, or have you told all within your knowledge that will assist us in this investigation?

Mr. Youmans. Why, I think so. All of the the principal matters.

Mr. Carnduff. By the way, did the Comptroller General ever acknowledge receipt of your protest?

Mr. Youmans. He never did.

Mr. Carnduff. Do you know that it reached him?

Mr. Youmans. I sent it by registered mail.

Mr. Carnduff. Did you get a receipt?

Mr. Youmans. No; I did not require a receipt.

Colonel Hull. I have a few questions.

Mr. Anderson. Proceed.

Colonel Hull. I wish you would go back to that lump-sum award. I was not connected with the War Department claims board in November when you resigned. Colonel Morrow was then in charge, as you recall.

Mr. Youmans. Yes.

Colonel Hull. When I tell you I never heard of the term "lump-sum
110 award" in connection with these contracts before today, I would appre-
ciate it very much if you would search your memory and try to fix when you heard that.

Mr. Youmans. Well, now, I have been searching ever since you made the inquiry, but I do not think that I can say who just told me that, but that is just the term. I don't mean that that is the way it came to me.

Colonel Hull. How could you make a lump-sum award in this case?

Mr. Youmans. I don't know. I don't know. This case is a special one, anyway.

Colonel Hull. How did it fit this kind of a case?

Mr. Youmans. It didn't appear to, to me, but it seemed the action that was being taken regarding the abandonment of preparing vouchers further substantiated the information that came to me.

Colonel Hull. You mean Major Farr's instructions not to set up certain settlement summaries?

Mr. Youmans. Yes; Major Marr's instructions not to set up certain summaries.

Colonel Hull. Not to set up certain summaries.

Mr. Youmans. Yes; discontinue that entirely.

General Williams. I am rather wondering whether the Government would not save money by such relations.

Colonel Hull. Now on the subsidiary companies, you completed absolutely all the audit accounting work, did you not, on all the contracts except Old Hickory?

Mr. Youmans. No. Operating costs had not been gone into on any of those
contracts. We were still waiting for a decision as to the necessity of
111 furnishing proof of delivery of material. That was still an open ques-
tion. Operating costs were not to be gone into until after that was determined.

Colonel Hull. Now, what were those complete papers that you were preparing and showed me on Seven Pines and those kind of papers?

Mr. Youmans. Well, Seven Pines, you will find that the report itself referred to items that were not——

Colonel Hull. Take those papers there and turn it over. Take your report there to me.

Mr. Youmans. I think in a paragraph you will find that I make exception to those particular items not yet printed.

Colonel Hull. Let us get that.

Mr. Youmans. There was also administrative expense of the parent company that was not included here. That was an item that was in suspension also, that was not finished.

Colonel Hull. Because that was in debit?

Mr. Youmans. Yes.

Colonel Hull. That was appealed to the Secretary of War?

Mr. Youmans. Yes.

Colonel Hull. But I mean the accounting had all been done on it, hadn't it? The decision hadn't been made, wasn't that it?

Mr. Youmans. We had covered the delivery of the material, and the expenditure had been made. We set up all of our suspensions, except that the actual operating costs and verification of the profits and the parent company's administrative expense—the portion to be assumed, and those were still open items on that report.

112 Colonel Hull. The accounting had been done. The question was as
to whether as a legal matter certain of these items were to come in or not, wasn't that the fact?

Mr. Youmans. Yes.

Colonel HULL. So you had then the decision of the Secretary of War, by the various appeals, and so forth, and you could not allocate it one way or the other until that had been done?

Mr. YOUMANS. Yes.

Colonel HULL. But the original investigation of the vouchers, though, and all the accounting had been done on all those items?

Mr. YOUMANS. They had practically completed, finished with the vouchers. We couldn't determine the administrative expense until we could get a certain decision.

Colonel HULL. You couldn't determine the administrative expense until you could get a certain decision as to whether this voucher should go in under this line or on the other side of the fence?

Mr. YOUMANS. Yes.

Colonel HULL. But the work had been done?

Mr. YOUMANS. Yes.

Colonel HULL. And you had to get the decisions to throw them one way or the other, according to the decisions of the authorities?

Mr. YOUMANS. Yes.

Colonel HULL. And that was true with all these?

Mr. YOUMANS. Yes.

Colonel HULL. Now, wasn't every decision on all those questions, so far as you know, in writing?

113 Mr. YOUMANS. No; some of them had not come through yet when I left.

Colonel HULL. But I mean those that had come through; weren't they all in writing?

Mr. YOUMANS. Yes.

Colonel HULL. Can you recall to mind any decision that was orally made on any of these questions?

Mr. YOUMANS. They were not made, only by Major Farr.

Colonel HULL. But give us some sample of any oral decisions of Major Farr.

Mr. YOUMANS. No oral decisions.

Colonel HULL. No oral decisions?

Mr. YOUMANS. No; they came through in writing.

Colonel HULL. In writing?

Mr. YOUMANS. Yes.

Colonel HULL. They were all in writing?

Mr. YOUMANS. Yes; in fact, I required, when there was any oral decision—I asked to have it reduced to writing every time there was an oral decision.

Colonel HULL. No objection from your superior officer in doing that, was there?

Mr. YOUMANS. Yes; because I think it is very necessary in undertaking anything of that kind to have it in writing to support the action that I took.

Colonel HULL. I say did Major Farr make an objection to that request for decision in writing?

Mr. YOUMANS. No; because, by reason of the purpose for which it was intended, he could not take any exception.

114 Colonel HULL. Consequently, on these audits here, if there had been any improper dealings with subsidiary companies up to the time of these reports, you would have mentioned it in here, would you not? You questioned every voucher?

Mr. YOUMANS. We did not——

Colonel HULL. You questioned every voucher?

Mr. YOUMANS. We questioned every voucher, but not prices.

Colonel HULL. Sir?

Mr. YOUMANS. Prices are something that were left entirely alone.

Colonel HULL. You didn't go into the prices on any of these?

Mr. YOUMANS. On anything.

Mr. ANDERSON. May I ask a question, or will it bother you, Colonel Hull?

Colonel HULL. You may.

Mr. ANDERSON. Why did you leave the prices entirely alone?

Mr. YOUMANS. Why, we were so advised by—I think it was the District Claims Board at the time.

Mr. ANDERSON. In other words, you didn't undertake to verify the fact that the amount charged against the Government was the price paid by the du Pont Company for the stuff at all?

Mr. YOUMANS. No.

Colonel Hull. Those instructions came from Mr. Jones?

Mr. Youmans. That I can't say. That was a matter that was handled before
I became supervisor of the district. The order came to me through Mr.
115 Cobb, then supervisor, but I think it was taken up by the Board.

Colonel Hull. Jones was in charge at that time?

Mr. Youmans. Yes; but I am pretty sure that particular subject was settled down here in Washington. I think he came on for the purpose of discussing that very matter.

Mr. Anderson. Now, let me get that quite clear, Mr. Youmans. If, for instance, you had a bill for material at the cost of $100,000, bought from some concern. You had no way of verifying the fact that the du Pont Company paid $100,000 for that material?

Mr. Youmans. Yes; we had. That is, they paid it. Because we would check against that voucher the cancelled check. But beyond that we didn't go.

Mr. Anderson. In other words, the actual charge to them; while they may have paid out the money, you didn't investigate whether the price was the price of the material at that time, or whether the man that sold it was actually selling material at that price. In other words, it might have been a padded account?

Mr. Youmans. It might have been.

Mr. Anderson. Did you have any reason to believe that any of those accounts were irregular or inaccurate?

Mr. Youmans. Nothing more than in noting the apparently excessive prices. They were large, but just whether they were necessary or not, why we never discovered it.

Mr. Anderson. Do you know whether those prices were ever checked by anybody? Did you ever hear of it?

Mr. Youmans. I never knew that they were. They had no previous
116 approval before the purchase was made. The contractor admitted that.
And any subsequent approval was included in the contracting officer's stamp, which was put on there and initialed, and supposed to cover the price and the quality and the quantity and its applicability to the contract, and the necessity for the expenditure. It was supposed to include all of that, and was covered by a rubber stamp and initial.

Mr. Anderson. I see. Now, then, he decided all that question before it reached you. You merely audited on the basis of his decision that the price was fair?

Mr. Youmans. Yes.

Mr. Anderson. Now, do I understand from you that the Government turned over the money to the du Pont Company, and they bought at any price they saw fit, and that that was not subject to review by anybody?

Mr. Youmans. It was not reviewed anyway by anyone before they actually made the purchase, and was not approved by anybody before they made the purchase.

Mr. Anderson. But after they made the purchase it was subject to review then by the contracting officer?

Mr. Youmans. It was; yes.

Mr. Anderson. And you did not pass any vouchers that did not have a stamp on them?

Mr. Youmans. No; I did not.

Mr. Anderson. In other words, you would have to have that stamp showing approval of price, amount, and applicability in order to pass the voucher at all?

Mr. Youmans. Yes; that was required, according to our manual.

117 Mr. Anderson. Yes. So that all of the accounts that you audited had
that approval on them, and then you had reduced the amount of unallowed items down to about $5,000,000 when you left?

Mr. Youmans. Yes.

Mr. Anderson. Items in suspension?

Mr. Youmans. Yes.

Mr. Anderson. Did that include both construction and operation?

Mr. Youmans. Yes.

Mr. Anderson. So that the balance of unaudited and unallowed accounts when you left in November 1921 was approximately $5,000,000?

Mr. Youmans. No; I would not say that. The unaudited portion was about from 10 to 15 percent.

Mr. Anderson. I say, of the whole contract?

Mr. Youmans. Yes. Whether that would increase or decrease the disapproved items I could not say. Besides that there might have been suspensions made when we audited operating costs of the various processes of manufacture.

Mr. Anderson. Mr. Youmans, did you see anything in connection with the operation of this contract which, as an officer of the Government, you thought the Government was not adequately protected in, in accordance with its regulations, or that was irregular, on the part of the du Pont Company, that you have not mentioned?

Mr. Youmans. I don't think so. There is nothing else occurs to me right now.

118 Mr. Anderson. Is there anything that you can suggest that would be helpful to this committee in making its survey of this contract and transaction in getting at the facts, or getting at anything in connection with the contract that you think ought to be investigated? Can you suggest anything? You see you spent a year and a half on this thing, and we have just taken it up fresh.

Colonel Hull. Two years.

Mr. Anderson. Now can you give us any points that we ought to look into, charged with a duty as a Government officer?

Mr. Youmans. Well, certainly the prices ought to be looked into.

Mr. Anderson. You mean the prices paid by the du Pont Company?

Mr. Youmans. Yes.

Mr. Anderson. To the persons from whom purchases were made?

Mr. Youmans. If the prices were correct it would not occur to me that it made any difference from whom they were purchased.

Mr. Anderson. That is right. Now, if those prices were approved by a representative of the War Department, and there was nothing in them so extravagant as to suggest negligence or error, or worse, would you think that we ought to survey that subject now after his approval a year or two ago?

Mr. Youmans. His approval as to prices was practically worthless, as he also was operating under that first instruction that the prices were to be approved on the vouchers. He made no verification of them, and the
119 instructions went to the contracting officer really instead of to the accountant, because he was the price-approving man.

Mr. Anderson. Let us get that clear. You say that there were instructions sent to the contracting officer that he was not to check prices?

Mr. Youmans. Yes; it was given to him, and he operated under that, because there had been no comparisons, so far as I know.

Mr. Anderson. Who was the contracting officer at the time these purchases were made? Do you recall?

Colonel Hull. Those instructions did not go to the purchaser. You mean to Major Guise?

Mr. Youmans. Yes; and Peebles.

Colonel Hull. Which one do you mean?

Mr. Youmans. Major Guise had them first.

The Chairman. Who gave those instructions?

Mr. Youmans. I mean the review the subsequent audit. There was no instruction issued, so far as I know, to the contracting officer at the plant during its operation to either approve or disapprove the prices, or verify them or not verify them.

Mr. Anderson. In other words they were accepted. Vouchers passed during the period of construction and operation were just passed through?

Mr. Youmans. They were passed through. They paid themselves and they were up for audit subsequently.

Mr. Anderson. Then when you came to check the accounts the contracting officer was given instructions not to undertake to verify prices but to accept the prices charged?

120 Mr. Youmans. Yes, sir.

Mr. Anderson. Were those instructions in writing; do you know?

Mr. Youmans. Why, I don't know just how they came to him.

General Williams. Is this the contracting officer, do you mean?

Colonel Hull. Yes.

Mr. Youmans. Major Guise was the first contracting officer, and Mr. Peebles succeeded him, and Mr. Peebles would not have the instructions. They were given to Major Guise I am pretty sure. But prices were not considered.

Mr. ANDERSON. So your view is that the prices never have been checked at all?

Mr. YOUMANS. No.

General WILLIAMS. Well, were they checked at the plant, do you know, at the time of receipt? Do you know that Mr. Youmans?

Mr. YOUMANS. Well, they were in the same manner that delivery was checked. Quantity and quality. There was a report stamp put on them and somebody's initial.

General WILLIAMS. And that carried the approval of the price paid?

Mr. YOUMANS. Yes; that certified that the price was right, and the material was correct, and the quantity was right, and that the purchase was necessary.

Mr. CARNDUFF. Mr. Youmans, who was the contracting officer at the plant?

121 Mr. YOUMANS. Why, I don't recollect. There was a Major Wood at one time, I believe. They had several of them.

Mr. CARNDUFF. Was it Captain Foulke?

Mr. YOUMANS. Yes; he was one of them.

Mr. CARNDUFF. Was it a matter of fact that Captain Foulke was contracting officer during the majority of the time of this contract?

Mr. YOUMANS. I think that his tenure of office was longer than anyone else's, yes, and he was the last one, I believe. His certification appears on more vouchers than anyone else's or all the rest of them combined.

Mr. CARNDUFF. Do you know how old a man he was?

Mr. YOUMANS. Why, I never had met the man. I understand he is a young man.

Mr. CARNDUFF. He was a lieutenant, wasn't he, at the beginning?

Mr. YOUMANS. Yes. I believe the son-in-law of one of the du Ponts.

Mr. CARNDUFF. I want to get in here—I was getting some other witnesses while you were testifying, Mr. Youmans—a very brief statement of your experience as an accountant prior to entering the ordnance service. Will you just give us say the ten years before you went into this Ordnance Department, your experience?

Mr. YOUMANS. Well, I don't know that I can recall the exact dates, but for a period I was with the Audit Company of New York.

Mr. CARNDUFF. In what capacity?

Mr. YOUMANS. As junior accountant. Subsequently with Marwick,
122 Mitchell & Peet, semisenior. I was in business for myself doing auditing work for a period of about two years. And I was employed by Edison to install a cost system in the Bates Division, and operated the system for a time, and became manager of that particular division. That covers practically all my public accountant work.

Mr. CARNDUFF. You are what is known as an expert public accountant?

Mr. YOUMANS. Well, I have qualified as such.

Mr. CARNDUFF. And as such you are at present employed by the Government, Mr. Youmans?

Mr. YOUMANS. Yes; I have a rating as senior accountant in the civil service, anyway.

Mr. CARNDUFF. Thank you; that is sufficient.

Mr. ANDERSON. Mr. Youmans, did you find that the du Pont Company cooperated with you in getting the facts and data in making these checks and accounts?

Mr. YOUMANS. No. They gave me what they had to give me, or else I got it by stealth, or any other way that I could get it. They were rather independent. They had spent the money, and they had it, and were going to keep it, and they didn't bother much about furnishing proof. In fact, a large part of the time I spent in auditing was submitting to them these vouchers, giving them a first and a second chance to explain the expenditure, and they would come back with a stereotyped reply—they had an electric typewriter typing them out by the thousand, I guess, simply saying that they were certified by their accredited representative, and that is about all there was to it. We had taken them under second consideration, and then they were submit-
123 ted again for a further chance after we had suspended them. So that
a vast amount of correspondence and bills went back and forth resulting in delay mostly. That is about all that was accomplished for a long time.

Mr. ANDERSON. That is all.

Mr. Carnduff. As an expert public accountant, would you say that this du Pont transaction was audited?

Mr. Youmans. No, because unless completed, an audit is not made. That is the way I consider it.

General Williams. Well, the 85 percent that you spoke of—I think you testified that that was entirely satisfactory, did you not?

Mr. Youmans. Well, it was. We made our suspensions, but those suspensions were subsequently approved, and the records we made of suspensions were confused on the books, and were subsequently approved. We could not go back to the records that I had made and pick out those suspensions very well again. The way the records were handled it would be very difficult to pick up those suspensions. There were prepared specially ruled sheets to treat each voucher. We did not care so much for the contractor's book records. We treated each voucher with the best evidence we had, or the expenditure, and passed upon individual vouchers, and on these sheets were recorded the action taken, and here they were suspended, or they were approved, or there was another column where they were placed to go back to the contractor again to furnish additional evidence of the propriety or the necessity of whatever we required. But subsequently those columns were shifted back into
124 the mass again, and it would be very difficult to determine which items
we originally suspended. But those sheets and books that we had made up would have told the complete story, and we would have had a history of every voucher, and the action taken when it came down to that final settlement.

The Chairman. What happened to those sheets?

Mr. Youmans. I don't know.

The Chairman. They are not in the records?

Mr. Youmans. They were left in the office when I came away, but they were not of much use, because of the subsequent action in distributing these suspended items amongst them. I suppose they stand practically 100 percent proven, nearly so, anyway.

The Chairman. Are they still in existence?

Mr. Youmans. I don't know.

Mr. Anderson. You mean the items which were suspended were afterwards put on those sheets, so that they can be now satisfactorily identified?

Mr. Youmans. They were mixed back into the approved items. They were changed. They were subsequently approved, those that we originally suspended. But those items of nondelivery of material were approved, and that pay roll that we had suspended for duplicate and erroneous payments, was approved, and all those items were changed on the record that we had made.

Mr. Anderson. Do you think that the du Pont Company owes the United States any money now?

Mr. Youmans. Well, I know they have some unexpended funds that they have not even credited to themselves yet.

125 Mr. Anderson. Well, I mean in addition to the comparatively small
balance that they admit? I mean after your study of the subject, after the time that you have given to it, do you think the du Pont Company owes the United States any money?

Mr. Youmans. Yes; I do.

Mr. Anderson. How much?

Mr. Youmans. Oh, that is hard to say. They owe more—well, that depends on interpretation, too—than the balance that they show, because they have been paying officials of the company all during these years, salaries to employees that have been preparing their case and protecting the contractors' interests. Those salaries have all been charged to the Government, and I dare say that they have reimbursed themselves for all those funds that they have spent.

Mr. Anderson. Do you think that if this thing were reopened that the Government of the United States could recover any substantial amount from the du Pont Company?

Mr. Youmans. That would depend upon the interpretation of the contract and support that would be given the suspensions made.

Mr. Anderson. Now, I am going to ask you another question which is not evidence, but I want to get your point of view. If you had to determine this question would you undertake an audit, a complete audit of the du Pont Company's account, such as you say should have been made, at a cost of $300,000 or $400,000 by the Government on the chance of what it could get back as the result of that audit?

126 Mr. Youmans. It depends on how well it would be supported, the audit.

Mr. Anderson. Well, you mean supported how?

Mr. Youmans. The suspensions that would be made—the interpretation of the contract. If that contract is as the du Ponts claim—that they are entitled to all expenditures of every character and nature, there would not be much use of making the audit in the first place.

General Williams. Who has the authority to determine the interpretation?

Mr. Youmans. The du Ponts claim that they have.

General Williams. I had never that.

Mr. Youmans. They insist that they have the sole right to determine the propriety and necessity of all expenditures.

General Williams. Well, why do they come to the Assistant Secretary of War and bother him then?

(The question was not answered.)

Mr. Anderson. Now, you have been studying this thing, and did study it for a number of years. If you had to decide the question right now as to what the Government ought to do—it may not be a fair question to you, and you do not have to answer it—if you had to decide the question as to what the Government ought to do in the light of the circumstances as they now exist, what would you do about it? I know that is not legal, and probably it is not fair.

Mr. Youmans. It is too one-sided, because those in authority might have different opinions on the same subject from what I might have. But if my interpretation of that contract was supported in any great degree it would
127 be very profitible for the Government to undertake a reaudit and attempt to recover the excessive expenditures.

Mr. Anderson. Do you think there was any fraud, material fraud, in the conduct of those transactions on the part of the du Pont Company, or any representative of the du Pont Company? Did you see any evidence that made you think that?

Mr. Youmans. No conclusive evidence. There are a good many lines that suggested themselves as possibilities, but they were never followed up.

Mr. Anderson. Anything else?

Colonel Hull. Take your written report here that I showed you a minute ago. Isn't that all a matter of record, as to exactly what is on each schedule there? Couldn't you tell exactly what is in dispute?

Mr. Youmans. I could on that small contract, because that is something that was practically completed, and it is so comparatively small, you know, not being even—well, about one percent maybe—or five percent of what the Old Hickory is. Why, that could be very easily dug out and handled and disposed of very quickly, because it is very small.

Colonel Hull. It is complete, isn't it? You turned it in to me as a complete piece of work?

Mr. Youmans. Well, with the exceptions that I have mentioned in it.

Mr. Anderson. That is the Seven Pines, isn't it?

Mr. Youmans. Yes.

Colonel Hull. That we worked on before.

Mr. Youmans. But at the same time those suspensions that I made there were not supported, and were not approved. The whole thing would have to be changed again.

128 Colonel Hull. But I mean on appeal to the Secretary of War he did not agree with your idea of what constituted cost. He did not agree with your views as to how the contract should be interpreted?

Mr. Youmans. Yes.

Mr. Anderson. Anything else, Mr. Carnduff, that you want to present?

Mr. Carnduff. I have two other witnesses whose testimony is short. I would like very much to get them in tonight and let them go home.

Colonel Hull. I would like to ask Major Guise one thing.

Mr. Carnduff. Certainly. Is there any objection to the other witnesses coming in at this time?

Mr. Anderson. No; not at all.

Mr. Carnduff. I would like to present to the Board also the two representatives of the Department of Justice, Mr. Towler and Mr. Cunningham.

Mr. Anderson. Before you leave, with the consent of the chairman, I will state, Mr. Youmans, that the committee determined this morning that whatever took place in this room was confidential, as though in a grand jury room. In other words, we want to protect the men that come in here and tell the truth, without any discussion on the outside.

Mr. YOUMANS It is confidential as far as I am concerned. What I have told you, and what you have asked me will be confidential as far as I am concerned, but you can tell the world.

Mr. ANDERSON. But at the same time we want to observe that rule, because then men can talk more freely.

129 I might ask you one more question, Mr. Youmans. Why was it you did not report those facts that you reported to the Comptroller General to the Secretary of War or the Assistant Secretary of War? That may be embarrassing, but I would like you to answer it if you can.

Mr. YOUMANS. Why, I didn't think I could get to him except through channels. I know it wouldn't get very far on its way.

Mr. ANDERSON. Water didn't run up hill very fast, is that the idea?

Mr. YOUMANS. So I just issued a warning, that is all. I didn't criticize anybody at all, and I explained in the report that I just wanted to get some information to him. That is all that happened.

Major BOOTON. I would like to ask him one question before he gets off, if I may.

Mr. ANDERSON. Yes.

Major BOOTON. You spoke about the procedure being changed when you were informed that a combined settlement would be made, or a lump-sum settlement that you spoke of. What was the nature of that change in procedure?

Mr. YOUMANS. Discontinuation in preparation of those summaries.

Major BOOTON. What difference did that make in the papers that were prepared? What particular papers were omitted, or what change was there in the review of the accounts as the result of that?

Mr. YOUMANS. I don't just get you on that.

130 Major BOOTON. Well, were the subvouchers; that is, were the primary expenditures of du Ponts still checked under that procedure?

Mr. YOUMANS. Yes; that part of it had not been changed at all.

Major BOOTON. In other words, you verified all du Pont expenditures?

Mr. YOUMANS. Well, up to that period. What happened after that I don't know.

Major BOOTON. Well, I mean after that order was given you didn't make any change as to vertifying du Pont's expenditures?

Mr. YOUMANS. No.

Major BOOTON. What were the summaries themselves?

Mr. YOUMANS. What were they?

Major BOOTON. Yes; what would you put on them?

Mr. YOUMANS. Why, really a summary of detailed expenditures prepared on the regular ordnance forms. Usually presented to the disbursing officer for payment. The payments were made on those forms. And they were printed for that purpose, for those war contracts, in the Ordnance Department, and all the payments and disbursements that I know of were made on those summaries.

Major BOOTON. Might you call those summaries an abstract of the individual du Pont vouchers? Or subvouchers?

Mr. YOUMANS. They were more like a summary or list of du Pont vouchers.

General WILLIAMS. There was nothing original in those summaries, was there?

Mr. YOUMANS. No; I think the vouchers themselves were supposed to
131 support them. They didn't go with them many times, because they were the contractor's records, but it was intended to originally support them with the paid vouchers.

Major BOOTON. Well, then, what was actually omitted then was a certain form, either prescribed by the Ordnance Department or the Treasury Department—I don't know which—I guess the Treasury Department—which normally went as a support to the voucher itself?

Mr. YOUMANS. Well, they are the form on which the payment was usually made.

Major BOOTON. Yes. Did it make any actual difference in the amount paid the du Pont Company?

Mr. YOUMANS. It didn't make any difference with the amount. They were simply placed to their credit. They had already received payment.

Major BOOTON. Did it make any difference in the check that the Treasurer could give to those vouchers?

Mr. Youmans. Why no. He could pay them on any form that he liked, but the discontinuation in preparation of those, confirmed the report that came to me that a lump-sum award was to be made, as it was expressed to me, that a settlement was to be made.

Major Booton. Do you know why the making of those summaries was stopped?

Mr. Youmans. No.

Major Booton. I don't think of anything else.

Mr. Anderson. Thank you very much.

(Witness excused.)

132 Mr. Carnduff. I would like to introduce as a witness, Mr. Chairman, Mr. Peebles, who succeeded Major Guise.

Mr. Anderson. Is Major Guise coming back?

Mr. Carnduff. He has gone for the afternoon. I think he will be back tomorrow. I told him to come back tomorrow.

STATEMENT OF J. R. PEEBLES, HADDONFIELD, N. J.

Mr. Carnduff. Mr. Peebles, your name is J. R. Peebles I believe, Haddon House, Haddonfield, New Jersey, formerly contracting officer of the du Pont engineering contracts, and you succeeded Major Guise as contracting officer, I believe?

Mr. Peebles. Yes, sir; that is correct.

Mr. Carnduff. Mr. Peebles, I have here a copy of a letter which I desire to place in evidence, reading as follows:

"December 13, 1921.

"Subject: Elimination of detailed summaries.

"As a result of conferences held in Washington, December 10th, 1921, you are hereby directed to discontinue preparation of detailed summaries.

"It has been decided the only information necessary is the voucher number and amount, which will permit tying up the charges with the contract and the contractor's books."

This was evidently handed to Mr. Kileen, with a copy to you. I will ask you if you received such instructions?

Mr. Anderson. Who is it signed by?

Mr. Carnduff. "R. R. Farr, special representative of the Assistant Secretary of War."

Mr. Peebles. Yes, sir; I have recollection of that.

Mr. Carnduff. Did you receive such instructions?

133 Mr. Peebles. Yes, sir.

Mr. Carnduff. What was the effect of such instructions?

Mr. Peebles. Well, it was simply an indication to me that they were changing the manner in which the accounts were to be handled to completion. Heretofore they had been complying with the ordnance regulations in so far as submitting summaries with vouchers. That was being discontinued, which to me simply meant that they were changing the plan on which the settlement of this contract was to be made.

Mr. Carnduff. And after the receipt of such instructions vouchers would be merely listed and would not be audited?

Mr. Peebles. I would not say not audited. They would be listed, but not on the formal summary as required by the auditor.

General Williams. Would they or would they not be audited?

Mr. Peebles. They would be audited within the instructions which we had covering specific cases.

Mr. Carnduff. Will you state briefly to the committee your account of the accounting of the du Pont engineering contract during your service as contracting officer, calling attention to anything you thought was erroneous or should be investigated at this time.

Mr. Peebles. When I was appointed as contracting officer I was given to understand that it was the intent to conduct what we recognized as a War Department audit; that is, such an audit as would be acceptable to the Comptroller. We were having considerable trouble to get the contractors'
134 representatives to appreciate our position and accept any decisions that were made. We were accomplishing nothing. And by permission of Colonel King, who was then the chief of the administrative section under the Chief of Ordnance, I submitted a trial voucher of various kinds that was the

subject of dispute between our department and the contractor, through channels to the Comptroller's office for a decision. And all of those vouchers, to the best of my recollection, were suspended by the Comptroller for reasons as set forth in our report that was attached to each summary as it went forward.

Subsequently when the hearings in connection with these various matters were being had, and decisions rendered, vouchers that had previously been suspended by the Comptroller were put through—we made copies of such vouchers and put them through accounts as being approved under the decisions that were made subsequent to the time that they were presented. Of course all this has happened quite a while ago, and I am giving you the best of my recollection. There is a lot of it that is very hazy. In these vouchers were vouchers for payment of bonuses to men when they left the service of the contractor on Government work. The total of those bonuses, as I recall it, would be about a quarter of a million dollars. That was one of the sets of suspensions that we had made.

Others were vouchers for travel expense, moving expense, that were for varied amounts, and in favor of simply some man's name; no position being given; and in the case of travel, no reason for making his travel, and the expense
report itself was simply a statement of expense, and not supported in
135 any way by an receipt indicating that that money had been expended for
the purpose as set forth on the face of this expense voucher.

Another item that was in those vouchers was the question of material paid for, the receipt of which had not been certified by a proper representative of either the Stores Department or the proper Government agency that was authorized to certify to receipt of materials.

Mr. Carnduff. Approximately what was the amount of these material vouchers?

Mr. Peebles. I could not say, sir. They were simply submitted as samples of the prevailing vouchers.

Mr. Carnduff. Do you know what became of this account? Do you know how it was finally settled?

Mr. Peebles. No, sir. I left the du Pont work in May of last year, and I understood that the work was not finished until about August or September. I am not clear as to that.

Mr. Carnduff. How long were you employed on the du Pont work, Mr. Peebles?

Mr. Peebles. I entered the service of the Ordnance Department on April the 9th, 1920, as property auditor, and I served under Major Guise until January 1921, when I was appointed contracting officer.

Mr. Carnduff. From your experience on this contract do you think the du Pont Engineering Company owes the United States any money?

Mr. Peebles. Well, that is a rather difficult question to answer, because my point of view is probably different from the legal point of view. I would
say that there was money expended on this contract, in my judgment,
136 that did not reflect proportionately to the benefit of the United States
Government.

Mr. Carnduff. Can you state any approximate amount in your opinion that is due?

Mr. Peebles. No, sir; I would not like to state a figure at this time.

Mr. Carnduff. Is there anything you can add that will throw any light on this matter, or assist us in surveying?

Mr. Peebles. Well, it seems to me that had this contract been audited to the completion, as originally proposed, the contractor would then have been compelled to produce substantiating evidence that was satisfactory to the Comptroller, and would have then put the Government in position to better determine from the absolute facts to hand as to whether or not such charges were applicable to the contract.

Mr. Carnduff. You commenced such audit?

Mr. Peebles. Yes, sir.

Mr. Carnduff. Why was it stopped?

Mr. Peebles. It was stopped, to the best of my recollection, that detailed audit, about August of 1921, I take it.

Mr. Carnduff. I said, why? I am glad to get when. Who stopped it?

Mr. Peebles. Why, Major Farr reported at Philadephia with instructions to take charge of the work, sir.

Mr. Carnduff. Do you know why it was stopped?

Mr. PEEBLES. No, sir; I don't know anything about it.

Mr. CARNDUFF. Have you anything to ask, Colonel?

137 Colonel HULL. Yes; I have got a few questions. When you took charge of the work following Major Guise, were there any instructions limiting the scope of your inquiry, Mr. Peebles?

Mr. PEEBLES. No, sir.

Colonel HULL. You were perfectly free to go into any subject for investigation or scrutiny that you though would save money to the Government?

Mr. PEEBLES. Only insofar as conducting the audit was concerned. We were not authorized to go outside—for instance, if it might appear to us to be a case of profiteering, or something of that kind, we were not supposed to touch that.

Colonel HULL. What do you mean by that? Explain to me what you mean by that?

Mr. PEEBLES. By profiteering?

Colonel HULL. Yes.

Mr. PEEBLES. If there was an indication that a vendor had charged the Government, through the contractor, more for an article than he was charging to a private individual, it would appear that the private individual was being given the benefit of his prices, and not the Government.

Colonel HULL. Who gave you those instructions not to go into that feature?

Mr. PEEBLES. It came from the office of the Chief of Ordnance, sir. I don't remember now who signed the letter.

Colonel HULL. Was it in writing?

Mr. PEEBLES. Yes, sir.

Colonel HULL. What other lines? Then you eliminated looking into any question of prices?

138 Mr. PEEBLES. Practically so; yes, sir.

Colonel HULL. Did you have any information that the prices were incorrect in any of these vouchers?

Mr. PEEBLES. There was one particular instance arose that rather led us to believe that there were some differences there in the commercial and the Government prices. That is what raised the question. And we were told that that was without our province, and not to touch it at that time.

Colonel HULL. You think that those were in writing?

Mr. PEEBLES. Yes, sir; that is my recollection.

Colonel HULL. What other instructions limiting the scope of your inquiry, if any?

Mr. PEEBLES. I don't recall any now.

Colonel HULL. What instructions did Major Farr bring up in August of 1921 that limited the scope of your inquiry?

Mr. PEEBLES. I don't know, sir, that he had. He had instructions——

Colonel HULL. What did he give you that limited the scope of your inquiry?

Mr. PEEBLES. He had instructions to take over the charge of the work, and to do anything that he saw fit in connection with the completion.

Colonel HULL. Yes; but I mean did he give you any instructions limiting the scope of your inquiry at that time?

Mr. PEEBLES. It came up from case to case, and he didn't present us anything at the time that would interfere with that in any way. But as these different occasions arose, why, naturally, the matter was referred to him for his action.

Colonel HULL. And were those instructions that he gave you oral or in writing?

139 Mr. PEEBLES. In writing, sir.

Colonel HULL. So that they are all a matter of record?

Mr. PEEBLES. They are all a matter of record; yes, sir.

Colonel HULL. And the grounds on which you were acting are all a matter of record, too, are they not?

Mr. PEEBLES. Yes, sir.

Colonel HULL. So that the entire matter there is one easy to determine from the record itself?

Mr. PEEBLES. Absolutely everything is a matter of record, sir.

Colonel HULL. And in a great many of these transactions there were a great many divergencies of opinion?

Mr. PEEBLES. Absolutely; it didn't make anybody wrong, but it was a difference of opinion.

Colonel HULL. Now, those instructions which were read at the commencement, will you give me the date again, those instructions of Major Farr on that little paper?

Mr. PEEBLES. December the 13th, 1921.

Colonel Hull. And Mr. Youmans resigned in November of 1921, did he not?

Mr. Peebles. That is my recollection. I am not clear as to the date. It was along about that time.

Colonel Hull. When he said a few minutes ago that one of the grounds of his resignation was those instructions, he was mistaken, was he, if those instructions were not given until later, in December 1921?

Mr. Carnduff. Colonel Hull, if you please, I don't think it is fair to interrogate this witness on his own knowledge as to what is in Mr. Youmans' or Major Guise's mind.

140 Colonel Hull. I will withdraw the question, but I want to get it on record.

Mr. Carnduff. He has no knowledge.

Colonel Hull. I say, I withdraw it. I can put it on record in a minute or so.

Mr. Anderson. Anything else?

The Chairman. In what way did this change of instructions limit the inquiry, Mr. Peebles?

Mr. Peebles. Well, there were so many different angles to that matter that that is a rather difficult question to handle. As far as I could observe, the attorneys had determined in their mind what could or could not be substantiated, whereas from our point of view we were tied up by what we recognized to be the known requirements of the Comptroller. That is what we were working on. An attempt to complete the audit as we knew would be required by him before he would accept and finally credit the advances.

Colonel Hull. Mr. Peebles, glance at your report there on Seven Pines, which was the first case—was Seven Pines or Pendleton the first case that was completed?

Mr. Peebles. Seven Pines, sir.

Colonel Hull. There is a report covering all the suspensions and objections that the accountants, and yourself, as supervisor, could present to the Government to charge back against the du Ponts?

Mr. Peebles. Yes, sir.

Colonel Hull. There is nothing in there in regard to prices; no reservation that there was any intimation that the prices had not been checked. So I was wondering whether the prices entered into your mind at that time, or
141 where those instructions came?

Mr. Peebles. They entered into our minds insofar as checking the invoice or the public voucher against the purchase requisition.

Colonel Hull. You stated all the principles under which your audit and examination were made though in that paper, and do not make any reservation as to not going into prices.

Mr. Peebles. Inasmuch as the majority of the material prices had been fixed by the Washington department we did not go into the detail of the prices, provided the price on the voucher or the invoice agreed with the purchase requisition, but we didn't go behind that, Colonel.

Colonel Hull. But you say that that report is absolutely incorrect because you had not gone into prices?

Mr. Peebles. I wouldn't take it so, because we didn't consider that our work should carry us back to the base of all prices. We were not equipped, nor were we instructed to check all prices. We had no price lists. We didn't have the finding of the price-fixing commission. The only thing that we did have was the purchase requisition which stipulated the price. Unless such prices as in the Old Hickory contract, on some of the component materials, were stipulated in the contract. Then, naturally, we checked all prices against the contract.

Colonel Hull. You checked back on that?

Mr. Peebles. Against the contract.

Colonel Hull. Now, you checked over all the shavings and linters, didn't you?

Mr. Peebles. Yes.

142 Colonel Hull. You went over every item of that, didn't you?

Mr. Peebles. Yes.

Colonel Hull. Checked it back and forth and determined that there had been an overcharge of a certain amount on that?

Mr. Peebles. Yes, sir.

Colonel Hull. And that was settled by du Pont acquiescing in your figures?

Mr. Peebles. Not entirely, sir. The question of the delivery of that stuff came up later, and I don't know how it was settled, but they delivered a check, one for $150,000, as I remember it, and the other for $19,000, on shavings.

That was the first check that was made, and afterwards they accepted an overcharge on the linters, but they did not deliver a check for it. They simply took it into their accounts.

Colonel Hull. And acquiesced in the accounting?

Mr. Peebles. Yes.

Colonel Hull. Would you say that if we would go back and re-audit the linters and cotton by weight and everything, that we would be apt to recover anything?

Mr. Peebles. On shavings and linters?

Colonel Hull. Yes.

Mr. Peebles. No, sir.

Colonel Hull. What percentage of accounting and investigation would you say has been made on cotton litners and shavings? As complete as you know how to make it?

Mr. Peebles. I would say so, sir. We checked the railroad weights as certified to by the Southern Weighing & Inspection Bureau, and we checked the price. We checked the warehouse; we checked everything that we were
143 in position to check.

Colonel Hull. That checking was all made in cooperation with Mr. Youmans? Your entire force was all working on it?

Mr. Peebles. Yes.

Colonel Hull. Did you do that with any other ingredient?

Mr. Peebles. Only those materials that were stipulated in the contract. As I recall it there was sulphur and soda and shavings and linters. I think that was the——

General Williams. Alcohol? Did you check alcohol?

Mr. Peebles. Oh, alcohol; yes, sir.

Colonel Hull. And a similar check was made on those?

Mr. Peebles. Yes, sir.

Colonel Hull. The linters, were they billed as an arbitrary, with an understanding that they were to be rechecked afterwards, or did you check those up just in current work?

Mr. Peebles. Checked it up in the current work.

Colonel Hull. There wasn't a stipulation of an arbitrary for the purpose of accounting?

Mr. Peebles. No, sir.

Mr. Anderson. Were the prices fixed on any materials for construction?

Mr. Peebles. Not in the contracts; no, sir.

Mr. Anderson. So you didn't check prices on construction?

Mr. Peebles. No, sir.

Mr. Anderson. Mr. Peebles, you are not connected with the Government now, are you?

Mr. Peebles. No, sir.

Mr. Anderson. I am going to ask you a question which is probably
144 not within the scope of our examination. You don't have to answer it
if you don't want to, of course. You have made a study of this situation for how long?

Mr. Peebles. Well, I was in the Government service for 5 years, sir.

Mr. Anderson. Well, I mean on this particular matter.

Mr. Peebles. Since 1920; the early spring of 1920.

Mr. Anderson. Well, as a citizen of the United States, and a man that is familiar with the facts as you can be from that study, do you know of any circumstances in connection with the performance of this contract or these accounts which in your judgment would justify a re-audit of this whole matter at a cost of several hundred thousand dollars to the Government of the United States?

Mr. Peebles. That is a rather large order, Colonel.

Mr. Anderson. It is a large question, but I would like, if you are willing to give it to us, to give your frank view of it, and your reasons for it, if you think it should be done. That is the best way to get at it. We don't have to accept your view, but I think it would be good if you would give it.

Mr. Peebles. Oh, I understand, sir.

Mr. Anderson. We would like to have you give it.

Mr. Peebles. There are some things in this contract that in my opinion are absolutely unfair and out of all order. One of them is the bonus that I referred to awhile ago. The idea of giving out good United States money to

some man, when he finished maybe 2 months' work, because he was a good fellow, did his work all right, but he was paid a good salary for doing that
work—I say he is not entitled to any Government money in addition to
145 his regular monthly pay, because the Government got no returns on that
stuff at all.

There is another item, that, while it was a matter of contract, I felt was unfair, and that was the fee that was paid to Mason & Hanger.

Mr. Anderson. Do you think that the fee paid them was excessive?

Mr. Peebles. Absolutely.

Mr. Anderson. It has been suggested to me in some connection that it was erroneous; in other words, that it was a million dollars and something, when it should have been only $205,000. Did you look into this question?

Mr. Peebles. I would like to put this to you, if you please.

Mr. Anderson. All right.

Mr. Peebles. To the best of my recollection, when the original agency contract was made by the du Pont people, which they subsequently took violent exception to, it called for the construction at Old Hickory—I am simply giving you this from my memory; I am not clear as to this——

Mr. Anderson. Go ahead; that is all right.

Mr. Peebles (continuing). It called for the construction of five units of the powder plant. As soon as this contract was made the du Pont people made a contract with Mason & Hanger to do the necessary work in connection with this plant, insofar as I believe roads, sewers, general railroad construction was concerned, and if I remember correctly the fee under that original contract was five percent on the gross. When the agency contract was done away with
and the new contract was made it increased the units from five to nine—
146 practically double. They made a new contract with the Mason & Hanger
people, five percent, double the amount of work, practically, and yet the
fee was the same. It is not reasonable, in my judgment. I would like to state this to you for what it is worth. I understand that Colonel Shelby, who was formerly connected with the construction division, had had conversation with Mr. Harry Hanger, of Mason & Hanger Company, indirectly in connection with this contract, and that he told Colonel Shelby, if I have been correctly informed—this is all hearsay.

Mr. Anderson. I understand.

Mr. Peebles. That he would be satisfied to take this contract on the same basis that the construction division contracts were made. The fees of the construction division contracts were on a graduated scale, with a maximum of $250,000, which covered about ten million dollars' worth of work. In our figuring on this Mason & Hanger contract, we took the position that they were not entitled to more than two maximum construction contracts as under the construction division. While it was stipulated in the contract, our position was that that contract was unfair. And instead of being entitled to five percent on the gross of all that work they were not entitled to more than $500,000, which would be two maximum construction division contracts.

Mr. Anderson. Well, now, before you leave Mason & Hanger, I want you to go on with other items that you think ought to be investigated, because you are helping us—helping me at least. Before you leave the Mason & Hanger Com-
pany I want you to tell me, if you can recall, how much were the fees of
147 the Mason & Hanger Company all together?

Mr. Peebles. Well, I don't know exactly. I did not see the final figures, but my recollection was it was about $1,200,000; something in that neighborhood.

Mr. Anderson. Did Mason & Hanger have a large organization that they had to pay out of that?

Mr. Peebles. They had a large organization; yes, sir.

Mr. Anderson. Did they pay the cost of it or did the Government?

Mr. Peebles. Well, it was handled, as I recall it, the same as all other contracting firms; and if they sustained any expense, why, they were immediately reimbursed by the prime contractor, who in turn was reimbursed by the Government.

Mr. Anderson. What did they get the million dollars for?

Mr. Peebles. Well, that was five percent on——

Mr. Anderson. Profit?

Mr. Peebles. Yes; on twenty-odd million dollars.

Mr. Anderson. That was the net profit to them?

Mr. Peebles. Yes, sir.

Mr. Anderson. That was after paying all the overhead and everything, was it, in connection with this contract?

Mr. Peebles. Yes.

Mr. Anderson. The Government paid all that?

Mr. Peebles. Yes, sir.

Mr. Anderson. Of course, as you say, that was a matter of contract; and while it may be unfair, it may be the Government cannot get by with it, and we will have to take it.

Mr. Peebles. Yes.

148 Mr. Anderson. Now, are there any other points that you think should be subject of inquiry or audit in this matter?

M. Peebles. Well, of course one large item of expense which I took serious objection to was the traveling expense and the transportation of household goods. Now, the majority of those expense vouchers were not supported in any way, and quite a number of expense vouchers that are in existence simply show that a certain man, whose position is not given to indicate that he was an employee, or his number, or anything else, was advanced $200 for traveling expenses. And he made no report. Now that voucher would be put through for reimbursement by the Government. I took exceptions to these travel vouchers, because they were not supported within reason by receipts, and the contractor absolutely refused to make an affidavit that to the best of his knowledge and belief this money was expended for the purpose outlined. He absolutely refused to do that.

Mr. Anderson. Now as to the bonus, you think there should be an investigation, and as to travel allowance, you think there should be investigation and audit, or reinvestigation?

Mr. Peebles. Yes, sir.

Mr. Anderson. As to the Mason & Hanger fees, that is a matter that was covered by contract?

Mr. Peebles. Yes.

Mr. Anderson. And as concluded by the contract, of course, is not open to further inquiry.

Mr. Peebles. Yes.

149 Mr. Anderson. And then what other items do you think we should make a careful investigation of, if you can think of any now?

Mr. Peebles. This is such a varied contract that it is awful hard to light on any one thing. And, of course, I am awfully rusty on it. I have been out of touch with it so long.

Mr. Anderson. Now would you do this, Mr. Peebles. You are familiar with the contract. Would you take a copy of it tonight and run over it and see if you can refresh your memory with anything else? Here is our position—with the permission of the Board—we want to do what is right here to protect the Government and the people of the United States, and also the du Pont Company; we want to do the fair thing to them, to be absolutely fair to everybody. If there is anything here that ought to be investigated or reaudited then we want to know it so we can recommend to the proper officers of the Government that it can be done, and closed. If there is nothing here, if there are things that do not require reaudit, we do not want to put the people of the United States to the expense of reudit unnecessarily. Taxes are heavy enough anyway. Now if you can help us on that it would be a real help.

Mr. Peebles. What my judgment, compared to you legal gentlemen, is worth, I am in doubt, because we don't see it from the same angle.

Mr. Anderson. Well, we would like to have it anyway. It might be that we might reach the conclusion that legally we cannot do what you suggest because we are stopped by the law. But anyway, we would have the benefit of your suggestion.

150 Mr. Peebles. These items that I have mentioned are items that are very large, and not at all scattered. They can be easily concentrated upon.

Mr. Anderson. You will obviously agree with us that the Government ought not to spend three or four hundred thousand dollars reauditing all of those supply accounts that have been audited. A reaudit might be a waste of money.

Mr. Peebles. Yes.

Mr. Anderson. But yet the Government might reaudit certain specific matters. If you think there are some perhaps that are subject to change by reaudit we might do that at small expense.

Colonel Hull. May I clarify the matter?

Mr. Anderson. Yes.

Colonel Hull. On the matter of bonuses, all the bonus vouchers have been segregated out; so far as audit is concerned, that has all been done, has it not?

Mr. Peebles. Yes.

Colonel Hull. The audit has all been done on the Mason & Hanger subcontract?

Mr. Peebles. Yes.

Colonel Hull. We know how much is in dispute there?

Mr. Peebles. Yes.

Colonel Hull. The auditing has been done on all the traveling expenses?

Mr. Peebles. Yes.

Colonel Hull. We know what vouchers have been expended?

Mr. Peebles. Yes.

151 Colonel Hull. Isn't it true that on all that you have mentioned the auditing has been done, and it is simply a question as to determining as to whether these items are or are not allowable under the terms of the contract as a legal matter?

Mr. Peebles. The auditing has been done insofar as proving that the contractor expended that money.

Colonel Hull. We know in the vouchers.

Mr. Peebles. Yes.

Colonel Hull. You know why.

Mr. Peebles. Yes.

Colonel Hull. They have all been segregated; the audit has all been done.

Mr. Anderson. I understand you take the position that the travel vouchers are not adequately supported for allowance?

Mr. Peebles. Yes.

Mr. Anderson. Therefore the audit on that is an audit for inadequate support.

Mr. Peebles. Yes.

Mr. Anderson. I want to get your position on the record. I do not express any opinion as to what conclusion we will reach, but I want to get your position, if you please.

Mr. Peebles. My proposition was that it was a case of getting substantiation for the payment of the travel. If they delivered $200 to John Jones to make a certain trip, and John Jones went out on a drunk, that was of no use to the country.

Mr. Anderson. And you have no evidence that he expended the money.

152 Mr. Peebles. No evidence what his business was, or what he did, or anything about it.

Mr. Anderson. I see.

Mr. Carnduff. Would you call it an audit unless it was substantiated as to what the money was expended for?

Mr. Peebles. I wouldn't call it an audit in the strict sense of the word. I would call it a substantiation of the payment of the money by the company to some unknown individual.

Mr. Carnduff. Then when you answered Colonel Hull as to certain items being audited you meant that they had been segregated, but you did not mean that they had been substantiated?

Mr. Peebles. No; I think I made that clear, Major.

General Williams. Well, does not an audit really determine whether or not a thing is substantiated?

Mr. Carnduff. Yes, sir; that is a true audit.

General Williams. Then, if the evidence is not there, would a new audit produce any new evidence, do you suppose?

Mr. Carnduff. If the evidence was not produced, the du Pont Company would be liable for that amount of money.

General Williams. Well, but that is all up now, isn't it?

Mr. Carnduff. No.

Colonel Hull. Yes; as far as two years audit can support it.

Mr. Carnduff. It has not been supported. It has been segregated, gentlemen. The items have been put in there, but not supported. If you will allow
153 me to ask the witness a hypothetical question, I think I can clear this up.

With regard to the cotton linters, Mr. Peebles, you stated that no further action, in your opinion, would result in benefit to the United States. I ask you, if the United States should be able to prove that five months after the completion of production at this Old Hickory plant twenty-nine carloads of cotton were shipped in to the plant and charged to construction, from Hopewell, Virginia, would such fact have been ascertained by you in your so-called "audit"?

Mr. PEEBLES. If it was a matter of record receipt in the plant, yes. Of course, we were not at the plant. All we had was the records of the vouchers for the stuff we paid for.

Mr. CARNDUFF. If it were five months after?

Mr. PEEBLES. Yes; any expense in connection with that. If we paid any money out for this stuff it would have been developed that that material reached the plant. If this stuff was not paid for we would know nothing about it and would have no record of it.

Mr. McLANE. If it was received five months after you were there, you would have no record of it, would you?

Mr. PEEBLES. Oh, after I was there; oh, no.

Mr. McLANE. No.

Mr. PEEBLES. I thought you meant after the suspension of this construction contract.

Mr. McLANE. If it was received five months after the armistice was signed, you would have no record of it?

Mr. PEEBLES. If we paid for it, we would have a record of it.

154 Mr. McLANE. You couldn't tell anything except it was received at the plant, could you?

Mr. PEEBLES. No, sir.

Mr. McLANE. If this was not received at the plant but was delivered five months after the signing of the armistice, you would not have looked at it, would you? You would not have audited it?

Mr. PEEBLES. Not unless it became a matter of payment we would not have been concerned in it at all.

Mr. McLANE. And the same would be true as to nitrates, wouldn't it?

Mr. PEEBLES. Yes, sir.

Mr. McLANE. The same would be true as to——

General WILLIAMS (interposing). I think I see what Mr. McLane is after. Why, nitrates might have been ordered in Chile, say five days before the armistice, for the use at that plant, and might not have been delivered there for four or five months after it was audited, and still be charged against the operation of the plant. It would have to be. And, likewise, with these linters. It is entirely probable, I should say, that a number of carloads were delivered in there for months after the operation of the plant ceased.

Mr. CARNDUFF. The linters came from Hopewell, General.

Mr. McLANE. They came from the company itself, direct.

Colonel HULL. But if we paid for them——

Mr. McLANE (interposing). But the question would come up: How would they come to get to Hopewell and be there in storage, when it would be just as well, because the supply of linters is from the South?

155 Mr. PEEBLES. It occurs to me that in the operation of this cotton matter that there was a mix-up of linters through an error made by the Buckeye Cotton Oil Company, who afterwards made it good. They shipped a lot of linters in to Hopewell by mistake, instead of to Old Hickory, and they were obliged to refund the freights and adjust the error, or whatever it was. I don't remember just the details at this time.

Mr. CARNDUFF. Mr. Peebles, you have had charge of a number of large operations for the Government, audits, I think?

Mr. PEEBLES. Yes, sir.

Mr. CARNDUFF. Was the Old Hickory transaction handled in the same way as others? Was it handled the same way as you handled other transactions?

Mr. PEEBLES. No, sir; because we completed the audit as prescribed by the Comptroller.

Mr. CARNDUFF. For instance, the Nordyke & Marmon account, was it handled the same way as that?

Mr. PEEBLES. I applied what I knew to be the requirements of the Treasury Department in conducting that audit.

General WILLIAMS. What are the differences between those requirements, and, say, your method, after you received these instructions here? First, may I ask: Do you regard the instructions contained there as to not preparing that summary to accompany the voucher, as a vital matter?

Mr. PEEBLES. Why, I wouldn't say so, General, but it is just a question of what the various governmental departments require. Now, the Ordnance
Department, under which this contract was made, heretofore, in my
156 experience, required a summary. Well, a summary is nothing in the
world but just a transcription of the voucher itself to accompany the voucher.

General WILLIAMS. There is no new evidence on the summary, is there?

Mr. PEEBLES. No, sir.

General WILLIAMS. No original evidence on the summary?

Mr. PEEBLES. The only thing about a summary is that it bears the approval of everybody getting a dollar a day and up on the face of it. Whereas on the voucher itself there is no provision made for signatures.

Mr. ANDERSON. Will Mr. Peebles be here tomorrow?

Mr. CARNDUFF. Can you remain over?

Mr. PEEBLES. Yes.

Mr. CARNDUFF. I would like to dispose of Mr. Bowman, whose testimony will not take more than ten minutes, and let him get away. He has come here at a considerable sacrifice.

Mr. ANDERSON. Try to do it in ten minutes. If you can think of any other points, Mr. Peebles, that you think ought to be included, let us have them.

Mr. PEEBLES. It is a big order, Colonel.

Mr. ANDERSON. I know it is a big order, but we are all trying very hard to get the "straight" of this thing.

Mr. PEEBLES. Yes; and I don't want to make a mistake there. I don't want to recommend something that won't do good.

Mr. ANDERSON. You are quite right, and we are all sincerely trying to get at the facts.

Mr. PEEBLES. It is the layman against you legal lights, and I cannot see it in the legal light.

157 STATEMENT OF R. E. BOWMAN, NATIONAL VILLAGE, BOOTHWYN, PA.

Mr. CARNDUFF. Your name is R. E. Bowman, address 237 Ridge Road, National Village, Boothwyn, Pennsylvania?

Mr. BOWMAN. Yes.

Mr. CARNDUFF. Mr. Bowman, will you repeat, briefly, trying to make your testimony cover about five minutes, the substance of what you told us in Washington last November when you testified in my office with reference to the Old Hickory contract at Nashville, Tennessee?

Mr. BOWMAN. I was sent to the Old Hickory plant in June 1920, and then later, in August 1920, remaining there possibly three months in total. And during that time I was the special representative of Major Guise, and in charge of the essential material side of the audit, taking up the materials entering into smokeless powder, and used there at the plant. For a while the work on my end was held up until the railroad records were transcribed, and finally we were able to get into it.

I took the vouchers and classified them as to materials. There are about 38 main materials entering into smokeless powder. And then we had all kinds of miscellaneous materials from—well, incidental to the operation of the plant. This is on the operation side, and not on construction at all. Facings sheets were prepared by the assistants from the railroad records. The voucher was applied to the railroad record, and if there was sufficient evidence that the
material had been received, the facing sheet so stated, and it was stamped
158 and approved by myself, and when the messenger arrived it was sent in
to Philadelphia. After that time I had nothing further to do with the vouchers.

Mr. CARNDUFF. Well, what did you find there, if anything, that was in error or incorrect, if there was anything incorrect?

Mr. BOWMAN. I took exception to certain differences in freight rates; certain cases where discounts for prompt payment were not taken advantage of by the contractor, and a few miscellaneous cases that do not occur to me at this time.

Mr. CARNDUFF. Tell us what you learned about the receipt cards and vouchers; how the receipt of materials was checked, if it was checked?

Mr. BOWMAN. There were many cases where the only receipt we had was the railroad record, and that we took as authentic. These railroad records were made up from sources not in any way related to plant records. They were taken from the records in the railroad offices entirely.

Mr. CARNDUFF. Did you check the receipt of these materials?

Mr. BOWMAN. Against the railroad record. And where there were records in the contractor's office or in file we checked against those.

Mr. CARNDUFF. Dou you know anything about the so-called "fabrication" of receipt cards?

Mr. BOWMAN. I saw a fabricated voucher, so-called fabricated vouchers there at the plant.

Mr. CARNDUFF. How many of them?

159 Mr. BOWMAN. I couldn't state the number, but a good many of them.

General WILLIAMS. How do you know they were fabricated?

Mr. BOWMAN. They were signed by clerks there in the office who were not in a position to go out in the plant. The main office of the plant, of course, was a good distance from either gate where materials would enter, or from the freight office, and a good deal of material was coming in by automobile and truck as well, coming over that single bridge from Nashville. And these clerks in the office were in no position to check that authoritatively.

Mr. ANDERSON. Did they sign these records or receipts?

Mr. BOWMAN. I saw receipts signed "By order of"—signed by a certain man, by order of the du Pont Company. "I certify that this material has been received", and signed "So-and-so, by order of the du Pont Company", or the du Pont Engineering Company.

Mr. ANDERSON. And that person who signed that receipt was a clerk in the office?

Mr. BOWMAN. Yes, sir.

Mr. ANDERSON. While the goods were delivered down some distance away?

Mr. BOWMAN. May have been delivered some distance away, and never came near the office at all. Taken into remote areas of the plant.

General WILLIAMS. Could that have been a transcript from any other record?

Mr. BOWMAN. I can't say. There might have been in some cases. But there were cases where these vouchers were signed, and we could find no record
160 on the plant, or in Nashville at all, at the railroad offices.

Mr. ANDERSON. Of the goods having been received? Do you mean records were signed for goods of which you could find no record of delivery on the part of the Railway Company?

Mr. BOWMAN. I think so; yes. I would have to see individual vouchers and see my own facing sheets before I would——

Mr. ANDERSON (interposing). Testify to that effect?

Mr. BOWMAN (continuing). Testify to that entirely and clearly.

Mr. ANDERSON. Anything more?

Mr. CARNDUFF. He is Mr. McLane's witness. I think Mr. McLane has more knowledge of him than I have. I called him at Mr. McLane's request.

Mr. McLANE. That is all.

Mr. CARNDUFF. Thank you, sir.

Colonel HULL. One moment. Whenever you found any irregularities in any voucher you say you put a facing sheet on it?

Mr. BOWMAN. Whenever I found any irregularity in any voucher I put a facing sheet on there to that effect.

Mr. ANDERSON. Did you allow or pass any of those accounts or vouchers for material, founded upon those so-called fabricated vouchers?

Mr. BOWMAN. No, sir.

Mr. ANDERSON. You rejected them in every instance?

Mr. BOWMAN. I did.

161 Mr. ANDERSON. You don't know what finally became of those?

Mr. BOWMAN. No, sir.

Mr. ANDERSON. You passed them through to Philadelphia rejected?

Mr. BOWMAN. Yes, sir.

Mr. ANDERSON. That is all.

Mr. McLANE. Now I will ask you if there were not three men kept at the central office whose business it was to make up what is known and called a fabricated card, a checker's card? I will ask you if Mr. Ayers was not one of them?

Mr. BOWMAN. One man that I remember was Russell Brown.

Mr. McLANE. Russell Brown. Now what was his duty, as you remember?

Mr. BOWMAN. I think he was one of the clerks there in the office. Just how much further I don't know.

Mr. McLane. Do you know what he did? And wasn't it his duty, Russell Brown's duty, Ayers' and another man's duty, to make up a fabricated card, checker's card, signing it just as you stated? And later on, while you were there, wasn't that force increased?

Mr. Bowman. Oh, I wasn't there while those cards were being made up. I think they were made up before I came. I didn't get in there until—I didn't get really to work until August 1920.

Mr. McLane. Now you spoke of Russell Brown. What do you know about what Russell did? Did you learn his handwriting, or know anything that you could tell definitely to this committee?

162 Mr. Bowman. I simply saw vouchers made up with that form, and signed with his name.

Mr. McLane. Yes.

General Williams. Was Mr. Brown employed there at the time that you were there?

Mr. Bowman. I believe he was still in the employ of the Engineering Company; yes, sir.

General Williams. Well, did you interview him and ask him for an explanation of this?

Mr. Bowman. No; my work did not bring me in touch with him at all.

General Williams. Yes. You inspected these vouchers, did you?

Mr. Bowman. Yes.

General Williams. These cards?

Mr. Bowman. I did if they looked bad.

General Williams. And there was a man within reach of you, and you didn't make any effort to find out from him what they were?

Mr. Bowman. Well, I didn't understand that that was strictly my province. Not many of that sort of vouchers came through on the essential materials, as I remember. More came through on the construction side than on the essential material side.

General Williams. Yes; but here is a paper presented as a piece of evidence, signed by a definite man, and you question that evidence, you question the correctness of that piece of paper as evidence, and yet you do not question the man who signed the paper.

163 Mr. Bowman. That was probably a fault on my part in not going after him.

General Williams. That is all.

Mr. Carnduff. Let me see, Mr. Bowman, if I cannot draw out why you committed the so-called fault, if it were a fault. Was it not your understanding that this was the method of authenticating receipts, to make up these cards in such manner?

Mr. Bowman. Well, I don't believe that on the essential material end of it we paid much attention to the cards at all, but we went to these railroad records.

Mr. Carnduff. Then the cards were immaterial in your investigation?

Mr. Bowman. They were not material there.

Mr. Carnduff. And therefore you disregarded them?

Mr. Bowman. Yes, sir.

General Williams. Why are they presented here as evidence if they are not material? Why are you presenting this fact here as evidence if it is immaterial?

Mr. Carnduff. It is immaterial as to the scope of his duties, but during his duties he learned of this irregularity with reference to the construction work, with which he had no connection.

Mr. McLane. I believe you stated that you found some vouchers that you could not find the railroad records supporting them?

Mr. Bowman. Yes, sir; at the time I closed up and went back to Philadelphia we hadn't found a record of some.

Mr. McLane. And how many of those, and what would they amount

164 to? What would they average? What would the purchase price on an average amount to of the component part that you handled of that product?

Mr. Bowman. Well, that has been several years ago, Mr. McLane, and I don't remember, but I do think that they were probably small vouchers. That the big items were probably checked against the railroad records, and these were the small miscellaneous vouchers, most of them. Not full carload shipments. Where there was a carload shipment I think we could get a pretty good record on it. But the small items I don't think that we did.

Mr. McLane. That is all.

(Witness excused.)

Mr. Anderson. Gentlemen, I move we adjourn until tomorrow, unless these gentlemen have something else?

The Chairman. How many more witnesses will there be here, Major Carnduff?

Mr. Carnduff. Six or eight.

(The witness was excused at 5:20 p. m., and after some informal discussion an adjournment was taken until 10:30 a. m. of the following day, Friday, May 11, 1923.)

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165 SECOND DAY

OLD HICKORY INVESTIGATION

Friday, May 11, 1923. 10:45 o'clock A. M.

Room 3538, Munitions Building,
Washington, D. C.

Further proceedings had and testimony taken in executive session before Subcommittee on Ordnance Transaction of the General War Transactions Board, composed of the following members: Honorable Dwight F. Davis, Assistant Secretary of War, chairman; Major General C. C. Williams, Chief of Ordnance; Henry W. Anderson, Esq., representing the Department of Justice.

Present: Colonel J. A. Hull, executive officer of the War Transactions Board; Colonel F. W. Coleman, of the Finance Department; Arthur Carnduff, Esq., special assistant to the Attorney General; James Cameron, Esq., Director of Audit of the Department of Justice; A. V. McLane, Esq., United States district attorney, Nashville, Tenn.; Major J. C. Booton, Ordnance Department, United States Army; Major P. J. O'Shaughnessy, Ordnance Department.

166 Mr. Carnduff. Mr. Chairman, I believe it was desired to recall Major Guise for examination by Colonel Hull. Major Guise is here.

Mr. Anderson. Very well, sir.

Mr. Carnduff. With your permission, I will recall Major Guise.

STATEMENT OF MR. H. B. GUISE—Resumed

Colonel Hull (handing paper to the witness). Major, do you recognize that letter in any way?

Mr. Guise. Yes, sir; this is a copy——

Colonel Hull. Will you please read it to the reporter, with the date and everything?

Mr. Guise. This is a letter from the chief of the Philadelphia district ordnance office to the supervisor of the cost-accounting branch of the Philadelphia district ordnance office, dated October 4, 1919, addressed to Mr. W. S. Hall, supervisor cost-accounting branch, subject: E. I. du Pont de Nemours Company, Old Hickory plant [reading]:

"I have just received instructions from Mr. Door, Assistant Director of Munitions, that this office is to pursue the investigation which we have begun and to go into such auditing and accounting matters concerning the contract at this point as we may deem necessary in the interest of the Government.

"Please, therefore, proceed with your investigations, making them as 167 complete as you deem necessary for the Government's best interests, and also for the proper protection of this office, without, however, allowing the incurring of an expenditure not warranted by the result obtainable. Putting it in another way, I leave it to your good judgment to determine the extent to which you will go into details as to reaudits, rechecking, etc. I would also appreciate if you will from time to time advise me the progress of your investigations, with suggestions of what action, if any, shall be called for by the Ordnance Department of the War Department.

"(Signed) John C. Jones,
"*Ordnance District Chief.*"

Colonel Hull. You testified yesterday, in answer to questions by me, that as long as you were in charge of the work you had discretion to go into any question that you thought advisable—with the exception of going into the nitrate prices?

Mr. GUISE. Yes, sir.

Colonel HULL. There was testimony given that you issued orders that in no case were the investigators or accountants or examiners to go back of the prices set forth in the voucher? Is that true?

Mr. GUISE. That was to be done later and was not to be examined into until the determination of quantity had been reached. That was to avoid the possibility of delay after the determination of the quantity of components, so that further analysis could be made in relation to the question of materials. Cost then would be examined in general rather than in detail, and compared 168 with the price fixed by the agent appointed by the War Industries Board for that purpose.

Colonel HULL. Suppose you ran across a voucher for a table of this kind, and it struck the examiner as being three or four times the value. Would that be passed without question, or would there be a note made?

Mr. GUISE. There would be a note made and attached, sir.

Colonel HULL. You did not issue any instructions that they were to be absolutely passed without question?

Mr. GUISE. Not at all, sir; not on the question of cost. As I stated yesterday, the prime factor that we were after at the time was the determination of quantity rather than cost. The final reviewal of cost was slowly progressing, but it was a pertinent fact that we were after, to enable us to clear up the question of the delivery of materials to the plant.

Colonel HULL. Asking the question in another way: Up to the time you left the work, was that chart that was given to you by Mr. Jones in that letter virtually the chart by which you were sailing?

Mr. GUISE. Not entirely. I had been instructed in several other different instances—I think there are copies of the letters in here—with regard to the care necessary in conjunction with the audit; and I had been directed, on consultation with the legal advisers to the district chief, that this was to be a definite audit and check, and that no compromises or arrangements could be reached with the contractor until that was finished, that being the method 169 that would have to be pursued until the work was completed, when any disagreements between the contractor and the district claims board or other governmental agency would be taken up.

Colonel HULL. That is all I have to ask.

General WILLIAMS. What is the date of that letter?

Mr. GUISE. The letter to Mr. Hall? October 4, 1919.

Mr. ANDERSON. There has been a good deal said here about a 10-percent audit. Do you know anything about that?

Mr. GUISE. You must remember that the only thing that I had as evidence in relation to that was secured through the efforts of myself in this case, plus additional information that was received and forwarded through the Department of Justice and through Colonel Neville, I believe, to the district chief, and by him brought to my attention.

Mr. ANDERSON. Let me make my trouble clear; I do not know whether you can clear it up, or somebody else. There has been more or less suggestion that there was originally a 10-percent audit, and then a complete audit was started and never completed, and that there never has been a complete audit. Now, in order for me to reach a conclusion as to whether, in my judgment, a complete audit would be justified in this case I would like to know just what auditing has been done down there.

General WILLIAMS. And I would like to make an additional request there, that we get an authoritative definition of what a complete audit is.

Mr. ANDERSON. If we can; yes, sir. I want to know what auditing has been done and at what times, and whether there has ever been a complete audit.

170 General WILLIAMS. There is another point that I think should be brought out. This 10-percent audit was during the construction and operation of the plant. I would like to have, also, brought out whether or not it was possible or practicable at that time, considering the circumstances, to make a complete audit. Was the 10-percent audit in accordance with, say, commercial practice, or was it something that was justified by the circumstances at the particular time, or was it not justified?

Mr. McLANE. I would like, also, to have brought out who authorized the 10-percent audit, in order that we may find out from the proper witness why the 10-percent audit was authorized.

Mr. Anderson. Major Guise, you have heard all these questions. Can you throw any light on that situation?

Mr. Guise. May I refresh my memory to some extent?

General Williams. I am willing to say this: I think that under the contract, I as Chief of Ordnance would have had authority to direct a 10-percent audit. Furthermore, I will say that under the circumstances—the question never was brought to me, but under the circumstances, had it been brought to me, I would have directed such an audit.

Mr. McLane. What I was driving at is, Who did direct it?

General Williams. I will admit the responsibility for directing that audit.

Mr. Guise. The only information we have as to orders, or that I secured as to orders——

Colonel Hull. Limit that to the time of operation.

General Williams. Construction and operation.

171 Mr. Guise. This 10 percent that has been referred to is not an audit; it never was an audit. The 10-percent method referred to was the method used in checking the quantity and class of incoming materials.

Mr. Anderson. That was true of the period of construction and operation?

Mr. Guise. During the operation. There was practically no check ever found on the operation materials.

Mr. Anderson. Just a minute. Then during the period of construction and operation there was what we might call a ten-percent check. That is, one receipt in ten would be checked to verify its correctness, and the other nine would be assumed to be correct on the basis that that one was found correct?

Mr. Guise. This was the governmental check.

Mr. Anderson. The governmental check. Now, then, what was the next audit?

Mr. Guise. This was not the audit. Do not get "audit" and "check" mixed. An audit is an entirely different thing from a check. The Army inspector of ordnance, under the old system that was carried along to some extent in the new—although we were relieved to some extent of his responsibility for property—was the representatives in the field and had to assume property accountability for all materials received and paid for by the Government. In these cost-plus contracts the miscellaneous items that made up the material being manufactured by the contractor had to be checked; the actual final cost of the article had to be checked in under the same method.

172 The Army inspector was given a group of men—sometimes depending on his discretion, and generally depending on how far he made his check, more than anything else—for several purposes; primarily, we may say, so far as incoming materials are concerned, to check against the quantity and quality received. Secondarily, to check against processes in producing the material. Normally it was expected that a complete check would be made on the receipt of materials. That was had; there was no reversal that I know of at any time of the Ordnance Department regulations in that direction. Of course, I had myself about eight months of inspection work, and during that period I had the old-time method, and I had the old-time property accounts. I only had nine all told to take care of.

In this case the evidence that it was possible to secure, together with a copy of the order issued by Lieutenant Foulke, indicated that a 10-percent check was made on the receipt of the material. That is, out of, we will say, 100 vouchers, 10 vouchers would be pulled out and checked up, and the 100 accepted as being correct if the ten were correct.

The Chairman. Was that the customary practice in the case of a large contract of this sort in those times, or was that special in this particular case?

Mr. Guise. Well, I don't know. This was the only case anyway where I definitely came in touch with that particular practice. As I stated, in my property accounts I always worked on the old method. Even over in France I used the old system, and I found that I could keep things clear, and my accounts were "zeroed" even overseas, so I assumed it was satisfactory
173 for me to do it.

In this particular case it must be remembered that the Army inspector of ordnance at the Old Hickory smokeless-powder plant had, in proportion to the magnitude of the task, a comparatively limited number of checkers.

The Chairman. That is what I was wondering—whether this was the only practicable thing to do under the circumstances or whether special instructions were issued in this case.

Mr. GUISE. Whether the Army inspector of ordnance with the proper number of inspectors could have properly handled the matter or not is another question. What I would do under the same conditions is also another question which does not enter into this matter. The du Ponts and the subcontractors had about 400 checkers in the field, according to the records, so far as we could ascertain. The Army inspector had about 76; as I remember, that was the number stated in his own correspondence.

Now, with 76 men it would be impossible—I say this based on my own experience in general. It would be impossible for him to make even a real 10-percent check, with the magnitude of the operation. If the men had been furnished the horses and could have gotten around all over the place rapidly—they would have to use horses in a great many cases, instead of automobiles—the probabilities are that with 200 checkers he might have controlled it in general fairly well. But he could not do it with 70 men.

That is all I can state regarding it. There is not any question of an
174 approximate 10-percent check having been made. That was what was
done after the issue of this order, which I do not believe was carried on in the early stages of the contract.

With relation to that it must be remembered—you will understand, this is not a reflection on the Ordnance Department in general; it may be somewhat of a reflection on the man who was in the field, if he did not foward this information to the Ordnance Department. The chief clerk in the office of the Army inspector of ordnance at the Old Hickory plant did call attention to quite a number of discrepancies that had occurred with relation to the receipt of material, that had occurred very close to the time at which this order for a 10-percent check was promulgated. Now, that would, ordinarily speaking, render any officer rather cautious about proceeding with anything except, as nearly as he possibly could, a full check. I am speaking now, of course, my own judgment. That is what I should consider necessary to do.

General WILLIAMS. How many other contracts do you think the Ordnance Department had going at this time?

Mr. GUISE. Oh, they had an enormous number.

General WILLIAMS. Yes; we had some 20,000 or 25,000 contracts altogether.

Mr. GUISE. Yes, sir.

General WILLIAMS. So that the whole attention of the Ordnance Department could not have been focussed on this particular contract.

Mr. GUISE. No; that is certain, General. There is not any criticism of the Ordnance Department at the headquarters, unless officers in the field gave
them full and definite information regarding matters in the field—I
175 mean important matters, relative to either production or other matters—
in such a way that they could be taken care of. The Ordnance Department had in adjacent territory people that could have very well run down to Old Hickory and conferred relative to these matters that they were given general supervision of——

General WILLIAMS. Yes; I understand.

Mr. GUISE. And anything that was neglected by him—that is, by the district officer or by the officer in the field—could never be considered as a reflection on the people at the head. An officer's business in the field—that is, one who is isolated and has practical command of the situation in the field—is to keep his superiors thoroughly posted as to any developments that he thinks are out of the ordinary. And if he does not do that, while it might be considered, according to Army regulations, that it rested on the others, still it does not rest there. It rests solely on the man that is responsible for the withholding of information.

Mr. ANDERSON. Major, let me get myself clear about one matter. I do not know anything about all these things. The 10-percent check covered the period of construction and operation?

Mr. GUISE. Just let me get that firmly settled. The only thing that I know anything about with reference to a 10 percent check was on construction. I never could find anything relative to receipt of materials on operation. There is that sharp subdivision right there. Materials for construction we could find
had been partially checked, so far as records that were available to us
176 were concerned; we had no check on materials for operation. I do not
mean every item; I am speaking in general. There may have been and undoubtedly were some on the minor invoices. I am speaking of the great bulk of expense that was incurred. We were trying to check that by what

we might call secondary evidence—a rather round about way, that would, however, have given us the information eventually.

General Williams. Mr. Peebles yesterday testified, concerning certain of the prime raw materials of manufacture, that an entirely satisfactory audit was made. Now, how could that audit have been made had there not been records concerning the receipt and consumption of the materials?

Mr. Guise. Why, I cannot be responsible for anything Mr. Peebles stated.

General Williams. Then you and Mr. Peebles are directly disagreeing on that particular point?

Mr. Guise. It is extremely probable that we would be if he said an entirely satisfactory audit was made on operation.

General Williams. I did not say operations; I said on certain raw materials.

Mr. Guise. Component materials? At the time I left we were securing secondary evidence with relation thereto, and it may be that they did secure sufficient evidence as to the matter of shipments so that it was accepted. That had not been completely and finally secured, or anywhere near secured, at the time I left. I cannot be responsible for what he found afterward. What I was
trying to do was to get the total amount of bulk shipments and materials
177 in there.

Mr. Anderson. Now, with an understanding of what is meant by a check, and the limits fixed so far as your knowledge goes, as I understand it when you were assigned to this work—which was about what time, Major?

Mr. Guise. So far as the du Pont Engineering Company is concerned, about April 1, 1919.

Mr. Anderson. Then what was the nature of the audit that was to be made under your direction, when you went into the work in April 1919?

Mr. Guise. At that time the cost accounting branch of the du Pont Engineering matters was under the Baltimore district office. I was under the Philadelphia district ordnance office. The cost accounting branch cooperated, but were not, we might say, extremely cordial in relation to the matter. There was a sharp division as to how far my authority would carry with regard to them, they being under an entirely different supervision than I was. They could not complete a valid public voucher without my certification; because so far as my appointment as representative of the contract section was concerned, that came from Washington, and there was no other person present in that section to act in that capacity. And in other ways they did not work under the Philadelphia district ordnance office.

I inquired of them as to whether they had full supporting evidence with relation to the vouchers. Proper summaries were supplied on quite a number
of vouchers. They told me that they did have, and there were quite a
178 number of vouchers passed through that were properly endorsed on the
back, so far as could be told. We found later they were endorsements in red ink, and cross-offs—Army officers in the field, modifying materially the record that the voucher carried.

Mr. Anderson. Now, let me see if I can get in your mind what I am driving at. You went there in April 1919, and the letter which you have just read was in October 1919. Between April and October what was the nature of your inquiry or audit, or whatever you would call it? What was the scope and extent of it in those six months, as briefly as you can state it?

Mr. Guise. My directions were to concentrate. At the beginning I had Hercules and Atlas claims. I threw those overboard. I do not mean that I was overworked, but I had more than I could reasonably attend to, and I requested that I be relieved of the Hercules and Atlas claims, and I was, after about mid-year.

I concentrated all my efforts on requesting the cost accounting branch to proceed with their work, to call to my attention anything that did come up. I concentrated my efforts almost entirely, until late in the summer or early fall of 1919, on claims. You must remember that we had a very large number of accountants on this work, and that the expense of the United States was far greater on claims, even if we did have quite a number of accountants on this contract, owing to the enormous mass of matter it was necessary to review on those claims.

To illustrate the different things that came up, and to show you that
179 everything was not perfectly easy, even in the Department, I will cite one
item. We had variable price contracts on claims that must be settled

and could be settled only in accordance with the terms of the contract, costs and prices being fixed in such a manner that you could diminish or increase the contractor's profit. To establish that cost I set up a certain method by which it could be determined.

Here were certain contracts paralleling each other. It was almost impossible, according to the du Pont's idea, for those to be audited. I simply told them, and it was agreed later on—about eight months later on, however—that that should be divided by months, and the cost price of all the component materials for each and every month be determined under the provisions in the various months. That went into effect in 1920, and I say without hesitation it must have cost a considerable amount of money. The other way it was impossible for any officer of the United States to criticize. It was impossible for the du Ponts to accept. They would not know whether it was right or wrong, and it certainly would have been impossible for the Finance officer to have paid over the money.

Now, that was one item, and it was important; but the decision was not with me, because I had no definite or transcendent power over the cost accounting branch. They opposed this method of accounting. It was found to be the only way, and by that method we were able to settle practically all of the smokeless powder contracts that were entered into between late 1917 and the end of the contracts.

180 A great many of those items had to be taken up in that way. I had to go to Hopewell to review matters pertaining to large quantities, millions of dollars of supplies, and look over the condition at all of these points where they had claims—except, I believe, at Barksdale, Wisconsin, and possibly some Pacific coast points.

Mr. Anderson. You exercised rather a general jurisdiction over labor in connection with the settlement of claims largely, through the summer of 1919?

Mr. Guise. Yes, sir; and that was carried along more or less all the way through until the final settlement of the claims.

Mr. Anderson. Now, then, in October 1919 there were instructions given, which you have read, which covered a broad investigation in the nature of a general audit. As I understand it, however, you did not personally have control of the audit of the accounts?

Mr. Guise. My duties were primarily to determine—my orders were practically to take the place, so far as I could, of the officer that was in the field during the period, as to the determination of certain things. In addition to that, contractual questions arising were, of course, discussed with various people—discussed with Washington, as far as that is concerned.

Mr. Anderson. Now then, during that period from April, say, to October, the cost accounting was going on in the Cost Accounting Department?

Mr. Guise. Cost accounting was going on in exactly the same manner that it had during the entire term of the contract. There was no correction made to any great extent. They were asked as to the supporting evidence that they had back of these contracts.

181 Mr. Anderson. Then after October, when the general scope of the investigation was broadened by that letter, the accounting went on on the basis of that letter? And your services terminated when?

Mr. Guise. My services as an officer terminated November 30, 1920.

Mr. Anderson. During that year, Major, was there a general audit going on up to the time you left?

Mr. Guise. Yes, sir.

Mr. Anderson. A general audit of the whole thing?

Mr. Guise. There was a definite audit being made, according to the Ordnance Department, Cost Accounting and Finance Division regulations.

Mr. Anderson. And that was in progress when you left?

Mr. Guise. Yes, sir.

Mr. Anderson. This is the first time I have ever had clearly in my mind what had been done in this case.

Mr. Guise. My instructions were, so far as I was concerned, to proceed to audit this contract as a contract, and not in any sense of the word as a claim. There was nothing we could adjust; the adjustment would have to be made later on by a board. Those directions were definite and direct.

Mr. Anderson. And if you hesitated about anything you would merely put it in suspense?

Mr. Guise. Anything that was put in suspense was to be reviewed later with all the elements of a claim.

The Chairman. If we assume that this 10-percent check was insuffi-
182 cient to determine the actual materials that were received, would any
irregularities in delivery be caught up by this audit that came afterward?

Mr. Guise. The only determination that you could make, when you cannot get from the contractor the necessary evidence, the burden of proof rests on the contractor, not on the United States; never.

The Chairman. My point is this. You have got to show during the audit that the materials were received. The audit will catch that up. If they could not show that, then that item would be put in the suspended list?

Mr. Guise. Yes, sir; it would.

The Chairman. So that if a complete audit were made all of those different items would be caught up at that time, regardless of the sufficiency of the 10-percent check?

Mr. Guise. Yes, sir. The point is that so far as bulk materials were concerned we were getting secondary evidence, and where it was reasonably sufficient I would have certified it through. If I could not get the original receiving report properly validated and we did get the other, picking it up from various railroad and express companies' records and other accounts—if we could not get it through that, the item would go in suspension until the contractor produced the evidence.

The Chairman. So that the fact that there was only a 10-percent check would really be a handicap to the contractor in proving his case, rather than to the Government in finding out the facts, would it not?

Mr. Guise. Yes.

The Chairman. In other words, if there had been a 100-percent check
183 at that time it would have been easier for the contractor to make his
proof of these vouchers?

Mr. Guise. If there had been a real 100-percent check at the time there would not have been any question. This contract, as far as materials are concerned, would have been closed out a long time ago.

The Chairman. But if there were any insufficiency as to the evidence it would have been put in suspension?

Mr. Guise. We considered that entirely a matter for the contractor to prove.

Mr. Carnduff. Does the chairman understand that although the contractor might have been embarrassed to make his proof, he had already been paid, and that by virtue of this 10-percent check the contractor had paid himself, and this audit was not for the purpose of paying the contractor but for the purpose of ascertaining what moneys had been overpaid, and should properly have been paid back to the United States.

The Chairman. Yes; I mean that in any claims for that $500, or whatever it may be, these items would be caught up now?

Mr. Carnduff. Yes; but the contractor had the money.

General Williams. The contractor, however, is liable for the money, and if he could not prove that he had been made a just payment, then the Government has recourse and can recover from him. Is not that the complete story? You just stated one part of it. Is not that the complement to what you just said?

Mr. Carnduff. I will give you the complete story, sir. The contractor is
a corporation with extremely limited capital, and was required to give a
184 bond of $20,000,000. There is some doubt in the mind of the Depart-
ment of Justice as to the collection of the judgment if it should be ob-
tained. In order to recover the money, if the contractor were liable, it would be necessary to institute a suit and to prove the case of the United States, thereby throwing the burden of proof on the United States and not on the contractor. He, having received the money by this process, is in the advantageous position.

Mr. McLane. Major, you were asked about the number of plants and the small number of men with which to make a check. There never at any time was any trouble in securing the men to do auditing work, was there?

Mr. Guise. I cannot state that. There was no trouble in securing men at the time of the particular audit that I am conversant with, or at any time after I returned from overseas.

General Williams. I can answer Mr. McLane's question. At all times it was difficult to obtain labor—difficult to obtain the kind of people that we wanted. At all times during the war, I mean.

Mr. McLane. I hope the general will not get the impression that I am trying to cast a reflection upon him or any member of the department. That has crept into this a number of times. What I am driving at is the fact that they had so many plants that there was not a proper check made—not because there is criticism of the Department but because of the fact that actually it was not done and that there is a demand for it to be done at this time.

185 General Williams. How can it be done? It is all gone. How can you go back and make a check?

Colonel Hull. How can you check the delivery at this time?

Mr. McLane. We can force the men who did not show that the materials arrived to bring us something on which to stand. I do not think any contractor has a right to say, "Well, I have delivered the material; now you prove that I have not." I do not think the Government is called upon to do that.

Colonel Hull. Is that the position here?

Mr. McLane. It is not my position.

Colonel Hull. Is it the position of the du Pont people?

Mr. McLane. I am wondering. They have not, in my judgment, furnished proper evidence of delivery.

Colonel Hull. Have you seen the evidence that they have submitted?

Mr. McLane. I have not, because you have it.

General Williams. Why do you make a statement like that to this board, when you do not know?

Mr. McLane. Because I know of $29,000 in money in the hands of the Nashville & Chattanooga Railroad at Nashville, Tennessee, that the Nashville & Chattanooga Railroad says does not belong to them; that it either belongs to the Railroad Administration or to the Government, on account of overpayments. Because I know of numerous items of that kind in which there has been no accounting, I feel justified in making that assertion upon such information. I will state further that—if I am correctly informed by the Bureau of Intelli-
186 gence of the Department of Justice—there is no reason why $29,000 should not be covered into the Treasury tomorrow if the War Department will make a proper investigation of that item.

General Williams. What proof have you of these statements you are making?

Mr. McLane. I have not seen the letter, but I have Mr. Towler, who has the proof—a statement from the president of the N. & C. road that there is $29,000 covered into profit and loss that does not belong to the N. & C. road, which was an overpayment on freights that was never accounted for.

General Williams. Why don't you bring out the documents and show them to us?

Mr. McLane. I am bringing it out now. I am bringing it to you when I come here and ask that this audit be made in order to determine it. That is why I am here today.

Mr. Carnduff. In this connection, Mr. Chairman, I think we should introduce the correspondence of the War Department—which Major Booton has kindly furnished me this morning—showing that this 10 percent check was ordered by office order no. 1 on May 9, 1918, by Lieutenant Foulke, the officer in charge at Nashville; and that Lieutenant Foulke in a report to the Ordnance Department at Washington in June 1918 called attention to the fact that this check was incomplete, and that subsequently the chief clerk at Nashville reported to Lieutenant Foulke that errors had crept in and that the 10 percent audit was incomplete. Those three letters are in the possession of Major Booton. So the War Department had notice.

Colonel Hull. And have acted on it.

187 General Williams. We do not dispute that; that is a matter of record. We know that.

Mr. Carnduff. We will put it in our record now, if you do not object.

Major Booton. These are attached to a report of May 20, 1920, of Major Guise to Mr. John C. Jones, district chief, at the Philadelphia office, and are supporting documents to the report of Major Guise. The original report contains these copies of office orders and so on.

Mr. Anderson. If there is no objection, those will just be put in by reference on the record.

Mr. Carnduff. I would like to have them put in verbatim, Colonel Anderson. They are official records.

The Chairman. Yes. It is not necessary to read them now.

(The documents referred to are here copied in full as follows:)

[Copy]

MAY 9, 1918.

OFFICE ORDER NO. 1

Subject: Routing to be followed by United States Army ordnance inspection force, Old Hickory powder plant, Nashville, Tenn., governing construction under contract no. war order P-4755-711-E

1. *Work of inspection.*—Inspection will be divided into five classes, as follows:

188 (A) Inspection of vouchers, invoices, bills, etc., material, expenditures, etc., and the approving or disapproving of same, before sending through to the disbursement officer at Wilmington, Del.

(B) Inspection of incoming material.

(C) Inspection of distribution of material after receipt.

(D) Inspection of the actual work of construction with a view to checking up delays, excess of employees on any particular piece of work, undue waste of material, loafing employees, leaving the job early, etc.

(E) General inspection, covering commissary methods, office methods, police methods, fire prevention, etc.

II. *The personnel and division of work.*—The work of inspection will be divided among the personnel of this office as follows:

(A) Serg. E. F. Coffin, in charge of office and outside inspection for the inspector of ordnance.

(B) J. S. Wood, acting chief clerk and stenographer directly responsible for routine work in the office.

(C) Private W. C. Gibbons, in charge of outside inspection on incoming material in bulk in carload lots.

(D) Private E. J. Taylor, in charge of outside inspection on incoming miscellaneous material in shipments of carload and less-than-carload lots.

(E) Private Harry W. Strickler, general inspection, Private Strickler will be detailed daily for specific work.

III. *Methods to be followed in conducting inspection of vouchers, invoices, bills, etc.*—(A) Such documents will be divided into three classes, according to the contractor's classification, as follows:

189 1. Lumber. 2. Mason. 3. Miscellaneous.

(B) 1. Such documents when presented to this office for approval will be immediately checked by Sergt. Coffin or Mr. Wood.

2. Those found correct will be stamped approved and returned to the contractor when complete, each day.

3. From time to time documents will be submitted for approval which may be found to be incorrect in various ways. Whenever such errors are found, Sergt. Coffin or Mr. Wood will call the matter to the attention of the inspector of ordnance and take the matter up with the contractor with a view to correction.

(*a*) A record of such documents will be kept in the proper file. This record will give full details in each case covering the actual error (when it can be ascertained)—

Action taken by this office.

Action taken by the contractor.

Result of the action taken.

(*b*) A monthly report will be compiled from this file, showing—

Total number of errors detected.

Total money value of errors detected.

Total number of errors detected which could not be corrected from reports when taken up with the contractor.

(C) 1. At least 10 percent of the documents received in this office without supporting papers will be held out and will be forwarded to the contractor with request for supporting papers.

190 2. Upon notification from the contractor that these documents are ready for inspection with supporting papers attached, either Sergt. Coffin or Mr. Wood will go to the contractor's office and check.

3. A daily record will be kept by this office in the proper file showing results of the check.

4. On the first day of every month a report will be compiled from the information in this file and from the record specified in paragraph IV-H-1 showing—

(*a*) The total number of documents received for each class of material during the month for inspection.

(*b*) The grand total of documents received during the month for inspection.

(*c*) The total number of documents found to be correct upon check during the month.

(*e*) The total number of documents found to be incorrect upon check during the month.

(*f*) Percentage of documents checked by this office during the month based on the total number received for inspection.

(*g*) The percentage of documents found to be incorrect during the month, based on the total number received for inspection.

IV. *Method to be followed in making inspection on incoming material.*—(A) 1. The men assigned to inspection of incoming material will be known as "field inspectors."

191 2. They will check every day, covering as wide an area and as great a diversity of materials as possible, using the forms issued by the contractor to his field checkers for records.

(B) In checking carload lots in bulk, the entire carload will be checked.

(C) In checking less-than-carload lots, any single complete parcel or part of the shipment may be checked.

(D) In checking carload lots of miscellaneous material, any single complete parcel or part of the shipment may be checked.

(E) It is not desired that entire carloads of miscellaneous shipments may be checked, as with the present force the work would be restricted to too small a percentage of the incoming cars.

(F) At the end of each day's work, the field inspectors will report to the office, turning in their reports and taking up with the inspector of ordnance any points of particular importance. In the absence of the inspector of ordnance, written memorandum must be made, calling his attention to such points.

2. Reports should be clipped together and should have attached to them a written report, signed by the field inspector, calling attention particularly to all shortages, broken parts, etc., that they day's work may have developed, indicating the trouble by the contractor's requisition number covering the material referred to.

3. Any other points of interest which may have been noted during the day's work in connection with incoming material should be covered in the field inspector's report.

192 4. Each morning the reports of the field inspectors for the preceding day will be carefully checked up by Mr. Wood or Sergt. Coffin. After this has been done the contractor will be furnished with a list of the material covered in the reports, identified by requisition numbers and car numbers, and the contractor will be required to submit corresponding reports by their field checkers for comparison. The check comparison will be made by Mr. Wood or Sergt. Coffin immediately upon notice from the contractor that he has the required records ready. In making comparison, particular attention will be given to reports by our inspectors indicating broken or missing articles.

(G) 1. A daily record will be kept by this office in the proper file, showing the results of the comparison called for in paragraph IV–F–4, preceding.

2. On the first day of every month a report will be compiled from the information in this file and the record specified in paragraph IV–II–I, showing—

(*a*) The total number of "check comparisons" made during the month.

(*b*) The total number of "check comparisons" found to be correct.

(*c*) The total number of "check comparisons" found to be incorrect.

(*d*) The percentage of "check comparisons" found to be correct, based on the total number of "check comparisons" made during the month.

(*e*) The percentage of "check comparisons" found to be incorrect, based on the total number of "check comparisons" made during the month.

193 (*f*) The total number of documents (vouchers, invoices, bills, etc.) received by this office during the month for inspection.

(*g*) The percentage of "check comparisons" made during the month, based on the total number of documents received during the month for inspection.

(H) 1. A daily record will be kept in the file provided showing the total number of vouchers received in this office each day, classified as specified in III–A, preceding.

2. The first day of each month a total for each class and a grand total for all classes will be taken for purposes of reports specified in the preceding paragraphs.

(V) The inspection referred to in paragraph I–C will for the time being be handled by the Inspector of Ordnance or such other of the personnel of this office whom he may designate from time to time.

VI. Inspection referred to in I–D will be handled by the Inspector of Ordnance himself, or such other of the personnel of this office as he may designate. All Field Inspectors, however, will "keep their eyes open" for any of the points referred to in paragraph I–D and will submit a daily report in writing covering any of the points referred to which the inspector may believe that he has noted. These reports should specify the time, place, particular trouble, and, when it can be obtained without friction, the name and the number of the foreman involved.

VII. Inspection referred to in paragraph I–E will be handled by the Inspector of Ordnance in person.

GEORGE R. FOULKE, Jr.

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194 ARMY INSPECTOR OF ORDNANCE,
June 7, 1918.

From: Lt. Geo. R. Foulke, Jr., Ord. R. C., Army Inspector of Ordnance, Nashville, Tenn.

To: Lt. Col. F. H. Miles, Jr., Inspection Division Ord. Dept. U. S. A., 6th & B Streets, Washington, D. C.

Subject: Routine of Inspection.

1. Attached herewith is copy of Office Order No. 1 in re inspection specified in my letter to you of the 23rd ulte.

2. Referring to the monthly report specified in paragraph 111–C4, you will note that the report gives a general summary, not including money value of errors found. The money value of the percentage of error, if any, can readily be determined by referring to the file record from which this report is compiled. The actual documents which were in error can be found. From them the actual money value of the errors can be computed, based on the money value of the documents in which the errors occurred, and, if satisfactory, reimbursement, when construction is finished, can be made based upon this percentage. If this reimbursement is not thought to be accurate enough, then the auditor, when appointed, can cover each document, check all errors, and
reimbursement can be made on the strength of his report. In other
195 words, the report specified above first develops with reasonable certainty
whether any errors existed or not and second provides a working basis on which adjustment can be made if desired. Attached herewith are cards, and from the one marked "#1", you will note how the information regarding documents checked with supporting papers is shown in the files of this office.

3. Referring to report specified in IV–G–2 it is felt that this report will develop with reasonable certainty, first whether the inspection made by the contractor is a good and proper inspection, and, second, that it will develop a basis for financial adjustment of claims, in the following manner; if comparison of reports of the "Field inspectors" from this office with the reports of the contractor's field checkers develops that the contractor's field checkers are not reporting shortages, breakages, etc., certain specified instances of failure to make such reports can be determined from the records kept in this office, and, by referring to the files kept by the contractor, the loss in money value occasioned by the errors in the contractor's field checkers' reports can be determined as a percentage based on the value of the shipment. This percentage could be applied if satisfactory to the entire value of all purchases made for purposes of reimbursement upon conclusion of construction. If this method of settlement is not satisfactory the fact of the error existing has been established, and audit can be made by the proper parties and specific adjustment
obtained. From the card marked "#2 attached, you will note how the
196 information regarding comparison between the field inspectors' reports
and reports of the contractor's field checkers is shown in the files of this office.

4. Referring to paragraph I–C, this inspection will be handled as specified in paragraph V. No particular men have been designated to handle this work regularly because investigation has developed that when material is received on the ground here and properly checked in, it is almost sure to be checked up and handled in an economical manner and with as little waste as conditions will permit. Sufficient inspection can be given, therefore, as outlined in

paragraph V to insure that the present methods are continued. In case this inspection develops at any time that carelessness is creeping in, steps will be taken to institute inspection that will put a stop to such carelessness.

5. The method of handling inspection referred to in paragraph I–D as specified in paragraph VI is forced upon this office by the very nature of the work. It is almost impossible to prove that the troubles specified did exist even if they seemed to at the moment of inspection. This office is cooperating with the du Pont Engineering Co. to put a stop to such troubles, and it is the belief of this office that the du Pont Engineering Co. is doing everything in their power to prevent such troubles. If the services of one or two thoroughly trained construction engineers with experience in big construction work could be obtained, interesting criticisms might be made, but it is not believed that any more or any better action could be taken than is being taken at the present time.

197 6. Relative to inspection specified in paragraph I–E, this inspection will, of necessity, have to be handled by the Inspector of Ordnance himself. For the du Pont Engineering Company it is being covered by men who have years of preliminary training in other work of the same character, and in the opinion of the Inspector of Ordnance they are doing all that is possible at the present time.

7. It is realized most keenly that the inspection outlined in office order no. 1 is not a 100% inspection. It is felt, however, that if properly carried out, it is reasonably certain to develop any troubles which may exist and provide a remedy for them and that no more certain system of inspection can be devised to meet the conditions short of an absolute 100% inspection. This last is practically out of the question. The du Pont Engineering Co. and the subcontractors are conducting a 100% inspection. In doing this the du Pont Engineering Company is employing 100 checkers and the subcontractor's force is approximately 100 checkers covering incoming material alone, while an office force of several hundred people is maintained to do the necessary paper work. In addition to these men, there is a small army engaged in checking the distribution of material, auditing vouchers, etc. Inasmuch as the du Pont Engineering Co.'s files are open at all times to the Government and will eventually be turned over to the Govenment, it is felt that to institute a check on them which would cover the work as they are doing would involve a waste of men and money and a loss of time which would not be justified.

George R. Foulke, Jr.,
1st Lieut. Ord. Y. C.,
Army Inspector of Ordnance.

198

(Copy)

Old Hickory Powder Plant,
Nashville, Tennessee, September 12, 1918.

From: Robert L. Oden, Chief Clerk, Ordnance Department, U. S. A., Local.
To: Capt. Geo. R. Foulke, Jr., Ord. U. S. A., Army Hickory Powder Plant, (Local).
Subject: Developments of construction inspection, per office order no. 1, at Old Hickory Powder Plant.

1. Reference: Paragraph III, C–4, subparagraphs (a) to (g) inclusive, of office order no. 1.

The monthly report referred to in the reference is made up and on hand at this office for reference on demand, for each month commencing June 1st, to date. The net result of reports for June, July, and August is summarized below in accordance with the reference, except for the omission of subparagraph (a) in the reference, which reads "The total number of documents received for each class of material during the month for inspection."

(b) Grand total of documents received to September 1st	54, 965
(c) Total number of documents checked for supporting papers by this office to September 1st	5, 371
(d) Total number of documents found to be correct upon check for supporting papers to September 1st	5, 371
(e) Total number of documents found to be incorrect to September 1st	None.
199 (f) Percentage of documents checked by this office to September 1st, based on total number received for inspection	9. 8%
(g) Percentage of documents found to be incorrect to September 1st	None.

II. Reference: Paragraph IV, C–2, subparagraphs (a) to (g), inclusive, of office order no. I.

(a) Total number of "check comparisons" made to September 1st	4,765
(b) Total number of "check comparisons" found to be correct	3,561
(c) Total number of "check comparisons" found to be incorrect	1,204
(Note.—Included in the "check comparisons" found to be incorrect are all reports which did not compare favorably with the contractor's reports when same could be obtained, and 1,016 reports covering material which was received at this plant on which contract held no parallel papers.)	
(d) Percentage of "check comparisons" found to be correct, based on total number made to September 1st	74.8
(e) Percentage of "check comparisons" found to be incorrect, based on total number of "check comparisons" made to September 1st	25.2
(f) Total number of documents received by this office during the period for inspection	54,965
(g) Percentage of "check comparisons" made during the period, based on total number of documents received during period for inspection	8.6

III. A study of the figures given herewith, together with a complete understanding of the situation reveals a discrepancy. First of all, it will be noted that all vouchers, when submitted to this office for final inspection and
200 passing, apparently have complete supporting papers. Secondly, it will be noted that in 25.2% of all the cases which have been checked by this office and which constitute 8.6% of the total documents received, supporting papers could not be furnished at the point and by the office where these supporting papers are supposed to originate in every case. In other words, apparently whenever a field checker's report was not available to cover a given voucher, and payment was desired on the same, a field checker's report was made up from the face of the voucher attached thereto, certified, and forwarded to the Army inspector of ordnance for signature as a proper supporting document.

IV. Reference: Letter of May 13th, 1918. Subject: Routine of inspection, paragraphs 2 and 3.

Paragraph 2 reads, in part, "In other words, the report specified above first develops with responsable certainty whether any errors exist or not."

Paragraph 3 reads, in part, "It is felt that this report will develop with reasonable certainty, first whether the inspection made by the contractor is a good and proper inspection."

It is felt that the facts developed in paragraphs I and II above show:

(1) With absolute certainty that errors do exist:

(2) That at least part of the inspection made by the contractor has not proved to be a good and proper inspection.

Robert L. Oden, *Chief Clerk.*

201 The Chairman. The point I would like to get cleared up is this. Does this list of suspended items cover all these points where there may be irregularities or lack of check or any other matter that the Government might have some claim under?

Mr. Guise. That could not be corrected by a careful investigation. I will say that we had not completed it; there should have been more men on the job. As I state, I was a pretty busy man for about eight months in 1919. I should have had men out then on this proposition, checking in. I will say this plainly—and I would like to have this on the record—that so far as the vice president of the du Pont Engineering Company is concerned, Mr. William Coyne, he did everything possible, I think, to assist us. So far as the comptroller of the du Pont Engineering Company and the E. I. du Pont de Nemours Company was concerned, he blocked our way—at least considerably. Mr. Coyne did his level best to clear up things. I sat across the table from Mr. ——— the comptroller of the E. I. du Pont de Nemours Company—when we had it hot and heavy——

Mr. Carnduff. Mr. Broad?

Mr. Guise. Mr. Broad; yes. I would not, I told him, validate certain payments. We were not in any way concerned with them; they were contrary to law and were contrary to regulations. And Mr. Broad made the observation to me that if it was necessary they would come up to the United States Congress and get the money.

Now, part of these things were such items as those: The payment of
202 fees for country-club dues for the manager of a certain plant. The
payment of the expenses of certain officers of the United States—I mean Army officers—which it would be rather irregular, to say the least, for me to validate. They have another way of securing their reimbursements; it is fixed by law.

Colonel HULL. But none of that was passed and paid?

Mr. GUISE. None of that stuff was passed. As I say, he made those statements to me. We had difficulty, not only under contracts, but under claims, in securing information from the du Pont organization in general, for a period of time lasting nearly one year. When I speak of information, I mean detailed information. Generalities—the books were there. "Go to them." But books do not count. That was our biggest trouble of all, and for a long period of time it occasioned a very serious delay in the settlement and increased expense to the United States in the settlement of claims.

Mr. MCLANE. Major, may I direct your attention to and ask you to give the committee the facts, if you know the facts, with reference to a purchase by construction from operation of a warehouse, as you remember the transaction? Will you tell the committee the facts of the purchase and transfer from one contract to the other contract?

Mr. GUISE. The committee will excuse me for not being able to give absolute information. The figures are as near as I can give them. This occurred some years ago.

On or about August 30, 1918, the du Pont Engineering Company decided that they would swing over their commissary storehouse from construction to
operating account. Now, normally for several months before and after-
203 wards the contents of the commissary storehouse, being inventoried
monthly, would run from $800,000 to over $1,000,000. You must remember there were about 40,000 people concerned in this case.

On August 30 or September 1, 1918, the interdepartmental voucher that was exchanged between the two, transferring this commissary storehouse from construction to operation, gave an item as of October 30th of $141,000 as I remember it. In other words, it was anywhere from one-fifth to one-seventh, we will say, of what had been found to be the normal value of the material in the storehouse.

I will state that I have no direct evidence that they had not reduced the quantity of material down to $141,000. All I know is that before and after, taking each side, there was anywhere from five to seven time as much material in that.

Now, as a precautionary measure in an audit of this class it would be necessary to determine that that transfer was correct, because, if you transfer from construction to operation by this means, values that were far in excess of the actual book exchange you would disguise by practically that amount the cost of operation, which immediately would throw into question the cost of operation, and so forth; and, of course, to go down further into the facts, if this was considered an overhead in relation to the production of powder, increase the compensation to the United States.

Colonel HULL. That was a matter of record?

Mr. GUISE. That was a matter of record; yes.

Colonel HULL. You do not know what the final action of the officers was?

204 Mr. GUISE. I do not, sir.

It was a customary practice with the du Pont Engineering Company to make exchanges in that way. To check up those required an investigation that would be material, and unless there were discrepancies or questions involved like compensation or profit, it would be improbable that we would go very far into that. Just as quick as you would get into operation costs—that is, production costs of powder—you would get to a point where, for the protection of the United States, it was necessary to establish the cost of the powder.

Colonel HULL. Was it your intention to carry on that inquiry when you came to operations?

Mr. GUISE. Yes, sir.

Colonel HULL. And you do not know whether it was done or not?

Mr. GUISE. I do not; so, sir.

Colonel HULL. But the records will show?

Mr. GUISE. The records will show; yes, sir. That is all I can say. It was completed after I left Philadelphia, if it was completed at all. I do not know anything about that, sir.

The CHAIRMAN. Let me ask one more question. As I understand it, there are several different classes of items here. First, there are apparently certain vouchers which the auditors did not think were correct and which were not paid, like that country club fee, as I understand. That was one class. That money has not been paid to the contractors on that class?

Mr. GUISE. The moneys have been paid, but claim has undoubtedly been made by the United States for it.

205 Colonel HULL. But it no longer stands in the accounts.

Mr. ANDERSON. In other words, you have charged the contractor, and he has admitted the charge?

Mr. GUISE. Yes.

Mr. CARNDUFF. But the money has not been returned to the United States.

The CHAIRMAN. That is secondary. What I am trying to do now is to segregate the classes of items. Then, as I understand it, there are other items which were suspended by the audit and later were paid?

Colonel HULL. Some passed and some disallowed.

The CHAIRMAN. That is another class. The third class, I understand, were not audited at all—the railroad matter that Mr. McLane brought up. Those have not been audited at all?

Mr. GUISE. There was an audit of materials received on a considerable amount of that work, but it was not completed.

The CHAIRMAN. And then there is another class that everybody agrees is all right—I mean, as far as the audit was concerned?

Mr. GUISE. There were a large number.

The CHAIRMAN. Now, is it possible to segregate those items? In other words, instead of going to the expense of making a complete audit of things which everybody agrees were all right, is it possible to segregate the items that are in question and audit those? I would like to have Mr. McLane's idea on that,
too, as to whether it would be possible to segregate those different
206 classes, leaving out of consideration the ones that everybody agrees are
all right and those which the du Pont people admit were wrongly paid
to them, and limit the thing to the ones that are in dispute.

Mr. McLANE. I would rather refer that to Major Cameron, who is an auditor and has a better idea of those things than I have.

The CHAIRMAN. I simply wanted your idea, as well as the others.

Mr. McLANE. I think it would be, from my standpoint, but my opinion is likely to be erroneous, because I am not an auditor in any sense.

Mr. CAMERON. I would not think that up to this time, so far as anything has been brought out in the evidence, this has been so clearly defined that such a program could be arranged, excepting in isolated instances; that is to say, review the freight charges, and then take up the isolated instances and follow those up. But as to a line of demarkation, as to where the 90 percent begins or leaves off, when we are speaking of a 10-percent audit, that would be rather difficult at this time.

The CHAIRMAN. I am not speaking of a ten-percent audit, but of this later and more or less complete audit.

General WILLIAMS. Is it your idea that nothing can be determined without a complete reaudit?

Mr. CAMERON. I do not think I said that, General Williams.

General WILLIAMS. I was just trying to understand you.

207 Mr. CAMERON. If you ask me the question, I would be glad to answer it, but I do not think I said that.

General WILLIAMS. Let me ask you this question, then. It has been testified here that a certain percentage, call it 75 percent, of the final audit was satisfactory. Now, is it possible to set aside and accept as complete and satisfactory that 75 percent, and reaudit the other 25 percent?

Mr. CAMERON. That question is based upon a knowledge of what that 75 percent is.

General WILLIAMS. No; I have no knowledge of what that 75 percent is.

Mr. CAMERON. And I have no knowledge of it.

General WILLIAMS. Then you do not know?

Mr. Cameron. I cannot answer your question regarding some 75 percent, or some other percent, of which I know nothing.

General Williams. Then the 75 percent referred to there—you do not think that can be segregated?

Mr. Cameron. I do not know anything about it. That is not my testimony, General Williams.

General Williams. But you came in and expressed an opinion, as I understood it, concerning this matter, about a certain percentage of the contract having been satisfactorily audited and the remaining percentage not satisfactorily audited. And as I understood the Secretary's question it was with reference to whether or not the unsatisfactory part should be corrected.

The Chairman. I was wondering whether it would be possibly to seg-
208 regate the items that everybody agrees are all right and separate them
from the items that are in question, in order to save expense.

Mr. Anderson. Possibly I can put it this way—with your permission, Mr. Chairman. Mr. Cameron, if you and the finance section could help us in directing our inquiry so as to eliminate those things that have been completely audited and to segregate for further consideration those things that have not been completely audited, it would greatly help us.

To illustrate what I mean: Yesterday Mr. Peebles testified that the audit of component materials in operation was complete and satisfactory. Mr. Youmans' I think, said that certain portions of the audit up to the time he left were complete and satisfactory, but it left some $5,000,000, covering some hundreds of items, unaudited.

Now, if you and the finance section would engage in consideration of that and such other evidence as may be adduced, and eliminate from further consideration those things that have been completely audited and indicate the things that ought to be audited, it would be of great assistance to the Board. For instance, on freight charges, on the showing yesterday, I do not hesitate to say that without further information my opinion would be that that ought to be audited, to see whether there is any fraud in the intervening transactions, even if we do not get the money.

There were certain other things which Mr. Peebles and Mr. Youmans testified were about 90 percent complete, but were not completed because it was
found to be quite expensive. Now, if you could accept as true what has
209 been done, and make an additional audit of those things that have not
been done, we might save expense and delay to the Government and
complete a 100-percent audit. Do you thing that might be possible?

Mr. Cameron. I think it is inconceivable that any man could determine where these gentlemen draw their line between 90 and 10, or 75 and 25, or 65 and 35.

Mr. Anderson. It would be of great assistance if you gentlemen who are familiar with accounts could indicate what items the developments here require should be further investigated. It would be very helpful in saving money
to the Government, and also to us in reaching our conclusions.

210 Colonel Hull. I think if you will take the testimony of Mr. Kileen, who
completed the audit, and Major Farr, who was in charge, that you will have
actualities, rather than theories in front of you, and that the records will show what has been done.

Mr. Anderson. Anyhow, if you will keep in mind what has been done, now we will know what it is.

General Williams. I am wondering, Mr. Chairman, why the gentlemen at the other end of the table have not examined these audits. Why have they not availed themselves of the records they have at hand?

Mr. Anderson. I think it would take six months to do it.

Mr. McLane. The reason the district attorney has not done it is because he has not had access to the papers.

General Williams. I don't know what the district attorney had to do with it Mr. Carnduff has men and has assistants there, and he should have done it.

Mr. McLane. I am here by invitation, and if I am not wanted, I will retire.

General Williams. I don't understand that you are the principal counsel prosecuting this case. Major Carnduff was the man, I understood. Why hasn't he availed himself of the material at hand?

Mr. McLane. I didn't think that this would assume a personal basis. I thought we were all interested in the matter. I believe some criminal responsibility is here. I don't mean that for any member of the War Department, or the War Department as a whole. But I believe there is gross 211 and flagrant fraud, and I believe that is the reason my department has asked me to come here. If I am in the wrong place, or if my presence is objectionable, why, I will retire.

The CHAIRMAN. The committee wants to get all the information possible, and if you have some information, we want to get it.

Colonel HULL. Mr. Chairman, I think if he has any concrete facts that he has in mind, I would like to have those to compare with our records, and our records are available and have been available to the Department of Justice at all times. You are speaking many times, in many cases from information. Now, whether that information is correct, or not, can be determined, in many instances, from our records. For instance, you take the freight payments, have you got information which you stated yesterday, that they had been charged three times illegal freight? Now, that is your information. Now, our records—the records right here in Washington, in the General Accounting Office, will show whether there are any such facts, and such instances.

Mr. McLANE. Just exactly. Now, would there be any objection to the Department of Justice finding out if our information is correct?

Colonel HULL. No; that is the exact basis.

Mr. McLANE. That is the reason I thought I was invited here, to see if such information as I have is authentic. That is the only place I thought it could be authenticated.

Colonel HULL. If your information is produced, we will determine in a few minutes whether it is correct, or not.

212 Mr. ANDERSON. I think, Mr. Chairman, I can make this statement, if you will consent. The original discussion of this matter arose from information—Mr. McLane, will you sit down? I want you to get what I say.

Mr. McLANE. Mr. Chairman, I think it is best I withdraw.

The CHAIRMAN. No, sir; we prefer to have you here.

Mr. McLANE. There is some opposition here. I would be glad to have access to the facts, but I think I had better withdraw.

Mr. CARNDUFF. Mr. Chairman, as counsel for the Government, Mr. McLane is invaluable to me. He is the United States attorney for the middle district of Tennessee; he is the officer of the United States charged with the duty of inquiring into frauds and crimes and perjuries within that district. We have evidence that impels us to believe that a crime has been committed in the middle district of Tennessee, and I request Mr. McLane to remain here and to continue to give me his assistance.

Mr. ANDERSON. Sit down, Mr. McLane. I want to make a statement. This matter originally arose by a report——

Colonel HULL. We might excuse the witness.

Mr. ANDERSON. Are you through with Major Guise?

Mr. CARNDUFF. Major Guise was called this morning at the instance of Colonel Hull.

Colonel HULL. I am through.

The CHAIRMAN. Yes; we can excuse him.

(Thereupon Mr. Guise, the witness, withdrew from the room.)

213 Mr. ANDERSON. This matter came up originally, so far as the Department of Justice is concerned, through a report from Mr. McLane of matters that had come to his attention in the discharge of his official duties at Nashville, through his department of investigation. The Attorney General requested me to take this up with Mr. McLane, what he had to report, as it belonged to war transactions, and to reach a conclusion as to anything that should be done.

Now, Mr. McLane and his officers and assistants were in conference with me for several days, and I referred the matter to Major Carnduff, and to Mr. Cameron of the Bureau of Investigations, and to Mr. Cunningham of the Department of Investigation under Mr. Burns, and they went down to Nashville to make a personal investigation to see if the matter required further investigation. I omitted to say it did not involve the officials of the War Department here, but was a local matter. However, upon the information they reported, I took the matter up and wrote to the Attorney General stating that, since the matter did not come from the War Department, that we should not take it up from this end; but if there were any local crimes in Tennessee, Mr. McLane should continue to take it up and handle it there, unless we were requested by the War Department to take it up here. I mean, on a broad investigation. That correspondence was then forwarded to the General Board of Survey; no reply was received.

Colonel Hull. No letter was received from the Department of Justice.

Mr. Anderson. At any rate, to relieve myself and not to have it stop on my doorstep, I asked the Board of Survey to take it up. It was determined then to make this preliminary survey, which is all this hearing is. Then I
214 directed Major Carnduff, in order to get the matter before the Board
properly, to appear as counsel, in a sense; not in any sense as prosecuting, but to assist as counsel, because he had investigated the matter and could ask questions intelligently, and I could not. And I asked Mr. McLane to come here and assist in bringing out any points that might be covered. And it was in that sense that Mr. McLane, at my request, is here; and also by direction of the Attorney General he was requested to come here and assist us in this investigation.

Colonel Hull. Up to date none of the witnesses has affected Mr. McLane's purposes here.

Mr. Anderson. No; it was to determine in the first place whether a general audit should be made; and, second, whether there were any facts in the case that would require a reference of this case—the general case, a reference by the War Department to the Department of Justice.

Mr. McLane's local investigation in Tennessee, where the minor and detached matters are recorded, are matters which should go before the grand jury there, if they went at all after an investigation; but he could be of great assistance to us, and also we could be of assistance to him in informing him of facts as bearing upon his duties in Tennessee.

Colonel Hull. I should imagine Mr. McLane, before he presented any of this evidence to a grand jury, would want to investigate the information he had obtained, whether this evidence would sustain or disprove his information.

General Williams. I think Major Carnduff would want to know the same.

215 Mr. Carnduff. I have been waiting an opportunity to reply to the
question asked me by General Williams. General Williams asked me a question, and I did not have an opportunity to reply. His question was as to why, as counsel for the Government, I had not examined the records of the War Department in the matter of accountancy. Have I stated the question correctly, General?

General Williams. Insofar as I am able to ascertain from what you have said and your witnesses have said, you have not examined and informed yourself on the audit that has already been made of this contract.

Mr. Carnduff. Notwithstanding the fact that I am acting under the direction of the Attorney General of the United States and am accountable to him solely for my actions in this regard, I desire to call the attention of this committee to a report signed by myself, Mr. McLane, Mr. Cameron, and Mr. Cunningham of the Bureau of Investigation, dated December 12, 1922, wherein we asked that the War Department be requested to furnish such accountancy and data as is available before any definite and complete recommendations are made, and more particularly the following:

"(1) The acquisition of real property; the erection, construction, and equipment of the Old Hickory plant.

"(2) A complete financial statement covering the operating period from its inception to its termination."

And also to the following letter written by my assistant, dated the 20th day of December 1922, and bearing at the bottom my signature in concurrence thereof, wherein I asked and recommended that the War Department be requested to advise the Department of Justice with respect to the following:
216 "(1) If the du Pont Engineering Company have made a general ac-
counting to the United States Government growing out of its relations in connection with its contracts for the acquisition of real property; the erection, construction, and equipment of Old Hickory powder plant.

"(2) That if such general accounting has been made, that the original or duplicate original of such report be made available to the Department of Justice.

"(3) Whether the du Pont Engineering Company have rendered a complete statement of operation covering the productive period from the beginning of its operations to its termination. If such report has been made, that the original or a duplicate thereof be made available to the Department of Justice.

"(4) That the Department of Justice be furnished with a report covering the auditors' examination and review of the general accounting report and statement made by the du Pont Engineering Company."

General Williams, we requested such data on two separate occasions, one a week after the other, and forwarded them to the Attorney General. After we had done that we could do no more.

General Williams. Have you been denied access at any time to the records of the War Department, the records the War Department has in the matter of this contract? Have you at any time been denied?

Mr. Carnduff. No, sir.

General Williams. And no branch of the Department?

Mr. Carnduff. Nor have we said we were denied.

217 General Williams. The thing that strikes me, you have not availed yourself of the information you could have.

Mr. Carnduff. We endeavored to get the information.

Colonel Hull. Let me right there say this: When I heard of these letters upon my return from Panama in March, I caused a thorough search of the War Department to be made, and no letter has come, that I could find, from the Department of Justice to the War Department; but I told Colonel Anderson and Major Carnduff that the records of the War Department, irrespective of any letter, are open to them.

Mr. Anderson. And it was then that this matter was referred to this committee for investigation. That is, I sent these papers on to the Attorney General, and it was to some extent growing out of the circumstances of that character that I suggested to the Attorney General the creation of a board of this kind. The papers get hung up in that direction, and they naturally get hung up in the other direction in going through the channels. Therefore, I suggested that before we undertook to make a checking or go over the audit—I suppose it is an enormous thing.

Colonel Hull. Yes, sir.

Mr. Anderson. I understand they are at Philadelphia.

Colonel Hull. A great many of them are.

Mr. Anderson. I understand they fill a complete room. We have not got the force to check these papers. And my idea was to go on and determine whether to put on additional auditors and make this audit. And without our putting on our force, if we could develop whether there was any necessity for the amount of labor that would be required for the District At-
218 torney's office to go behind a certain situation which you undertook to
locate here this morning; to determine if there was any necessity of going behind that. It was to avoid all that labor that we are here, I understood. It would take Mr. Cameron's force six months to get any information from those books.

Colonel Hull. I think any specific question, or any specific information that Mr. McLane has, I think can be verified in 24 hours, on any point.

General Williams. Mr. Chairman, I would like to make my position clear on this point which has arisen. As I understood the object of this committee getting together and holding this conference, it was to determine whether a reaudit was necessary. In Mr. Cameron's replies to the questions that he was asked by the Assistant Secretary and myself, it seemed to me that he indicated that he didn't know what audits had already been made. Now, I can't, myself, understand how we are going to determine whether a reaudit is necessary until the old audit has been examined and has been pronounced insufficient. Am I wrong in that?

Mr. Anderson. No; but I thought by putting the various persons here who had supervision of it on the stand—having them come before us, and after we understand how far an audit was made, we reach the point where we can determine whether it is necessary to do it over again.

General Williams. If that audit has not been made, it should be made; if that has been made, it seems to me we are wasting our time here.

219 Mr. Anderson. Instead of sending checkers to go over the audit, can we not find out here how far it has gone, so we do not have to do it over?

Colonel Hull. I think so.

Mr. McLane. I thought that was the purpose we were here for.

The Chairman. Yes; that is it.

Colonel Hull. Yes; that is the reason we are here.

Mr. McLane. That is the purpose for which I came.

General Williams. What I cannot understand is how these gentlemen can accept any charges without going to the audit and seeing whether it was made.

Mr. Anderson. Nobody is accepting any charges at all.

Mr. Williams. The charges are the basis of everything that was said here.

Mr. Carnduff. I take exception to that. We have repeatedly said we are in a judicial capacity. We do not accept any charges. I do not think the charges are the basis of anything that was said here.

General Williams. I don't know what your legal terms are, but that is the reaction in my mind.

Mr. Carnduff. I regret you have that reaction.

The Chairman. Can we not get along, gentlemen? I want to make one statement here for the War Department, and that is that any record that the Department of Justice wants at any time in any case is always available from the War Department to the Department of Justice.

Mr. Carnduff. That has always been our understanding.

Mr. Anderson. Who else have we to examine this morning?

Mr. Carnduff. On this phase of the question the next witness would be Major Farr.

220 Mr. Anderson. Then let us get him in.

Mr. Carnduff. I think he should be examined by Colonel Hull, or somebody to develop the facts.

Colonel Hull. I don't know anything about it.

Mr. Anderson. Bring him in and I will examine him.

General Williams. If they have not asked Major Farr any questions, and have not investigated about the audit, it is inconceivable to me.

Mr. Anderson. I told these gentlemen to bring the case here. They might have taken this evidence originally, but, being a case of such wide importance, I suggested that they let us hear what they had to bring out, and not to hear it and then have us go over it again. They would take days going over it, and then we would have to repeat their work.

General Williams. Mr. Chairman, here are these people who have had charge of this audit for the War Department; unquestionably they approve of it, and we do not question the audit.

Mr. Anderson. Neither do we. But suppose a lot of people came to you and brought evidence of what they claimed to be proof of certain facts in connection with this matter, you would want it investigated.

General Williams. Yes; and I would want to find out what the basis of their evidence is.

Colonel Hull. We want the facts.

Mr. Anderson. I have been responsible for not calling Major Farr. I have been very busy. I rather desired to have him called before than call him myself and then go over it again.

General Williams. Personally, I have no desire to have Major Farr called.

221 Mr. Anderson. Can't we find the facts and find out what they did?

General Williams. We say here are the facts; there are the records.

Mr. Anderson. Gentlemen, it will take us, to go over these records, an enormous amount of time. Of course, the records are there.

General Williams. Then how are we going to reach a conclusion?

Colonel Hull. Mr. McLane says he has evidence of certain facts; he doubts whether an audit has been made; whether there has been an audit.

Mr. McLane. I say there are certain irregularities not justified by any audit. For instance, the remaining of $29,000 in an independent company; that does not belong to one Department or the other.

Colonel Hull. That item can be traced.

Mr. McLane. I am informed that there are a number of items like that which should be checked. I have numerous items of that kind.

Colonel Hull. Just a minute. In the course of these two or three years of work the War Department has had probably 10,000 such items that have been investigated. Now, if you will take the information you are concerned about and take the records to the officers who know about it, that can all be determined as to whether your information is well founded, or whether it can be shown by the records.

Mr. McLane. Now, would you say that a matter that would drift into
222 me as district attorney, and if I sent a man to investigate the facts,
would you say that I, as district attorney, would be justified in saying that the War Department has this, and it is not my duty to call it to your attention and ask for an investigation, or that an investigation be made? I'll be justified in saying it was.

Colonel Hull. No, Mr. McLane; but if you will give us the information, we will show you the records and tell you whether that is true. You have in your mind something about cotton linters. We have recovered $300,000 on cotton linters. Maybe that is the very evidence that the War Department has recovered on.

Mr. McLane. Will you tell me how I can——

Colonel Hull (interposing). You have not asked us for that information.

Mr. McLane. It would not be proper for me to address you direct.

General Williams. No; that is true.

Mr. McLane. I must come to you through my superiors.

Colonel Hull. Take with reference to duplicate payments to Cambria Steel. Is that one of them?

Mr. McLane. I don't know.

Colonel Hull. All right; let us ask Mr. Peebles, and Mr. Farr about it and see whether it is or not. Let us ask them about it. You would have to do that before a grand jury.

Mr. McLane. Absolutely, but how can I do it without coming here?

Colonel Hull. You are here. Let us go ahead and do it.

223 Mr. McLane. What I can't understand is that there seems to be an idea that somebody is opposing the members of the War Department, or the War Department itself.

General Williams. You are speaking to me. I have no such idea.

Mr. McLane. I take that statement, and accept it as made, General.

Colonel Hull. Let us take the statement of Farr, or Guise is here.

Mr. McLane. Guise has taken the stand, and all of them say that 10 percent audit—10 percent of the whole was made.

Colonel Hull. Do you believe the audit of October 1919 was a full audit?

Mr. McLane. I haven't enough information to know about it.

Mr. Carnduff. Let me crystallize this: The case of the Old Hickory powder plant has not been referred to the Department of Justice?

Mr. Anderson. No.

Mr. Carnduff. Until that was done we could not come over here for information, until the formation of the joint survey board. The first case information was called for after the formation of the joint survey board was the Old Hickory powder case, shortly after the formation of the board. The request was made by Mr. Cameron and myself, and the furnishing of the information was probably deferred until the hearing of the case.

Mr. Anderson. Yes; you are right. The Department of Justice has no jurisdiction to investigate it until it is referred to us.

224 General Williams. We are not standing on anything of that kind.

Mr. Anderson. It is a technicality. But the Department of Justice has no right to spend its time, nor have I, to investigate things not referred to us. That is the reason I sent my preliminary inquiry on the information of the district attorney, to see whether the Department wanted it investigated. We are your counsel. We do not want to force it. If you do not want this thing to go through, let us stop it. We are your counsel. We have plenty to do in our department.

The Chairman. Let us get ahead, gentlemen. We are wasting time. I am here ex officio to sit with the committee. This committee is to say whether it will recommend the sending of the information to the Department of Justice.

Mr. Anderson. Yes; and if it is sent to the Department of Justice we will take the matter up.

The Chairman. Let us go ahead. Call Major Farr.

Mr. Anderson. And if it is sent to the Department of Justice you will not have any further trouble with it. We will go to the records and find out for ourselves.

Colonel Hull. One of the questions that was asked was about cotton linters. We asked the one question about cotton linters. If you have any additional information on cotton linters, don't you think it would be well to present it to Mr. Peebles?

The Chairman. Here is Major Farr.

225 STATEMENT OF R. R. FARR, SPECIAL ASSISTANT TO THE ATTORNEY GENERAL, WASHINGTON, D. C.

Mr. Anderson. Major Farr, you are now special assistant to the Attorney General, are you not?

Mr. Farr. I am.

Mr. Anderson. Are you connected with the War Transaction Section?

Mr. Farr. Yes, sir.

Mr. Anderson. Ordnance Branch?

Mr. FARR. Yes, sir.

Mr. ANDERSON. Now, were you connected with the War Department prior to your connection with the Department of Justice?

Mr. FARR. I was.

Mr. ANDERSON. How long, approximately?

Mr. FARR. Three years and a half or four years, I think; something like that.

Mr. ANDERSON. Then you were connected with the War Department up to about June 1922 weren't you?

Mr. FARR. I was.

Mr. ANDERSON. During that period, after the armistice, were you connected with the Claims Board for the settlement of claims?

Mr. FARR. I was, as attorney for the Board of Contract Adjustment, and later an attorney for the appeals section.

Mr. ANDERSON. Did you have anything to do with the contract between the Du Pont Engineering Company and the Government, for the erection of the Old Hickory Powder Plant?

Mr. FARR. I did.

226 Mr. ANDERSON. State when your connection began about that, and how, in your own way, please.

Mr. FARR. During the time that I was a major judge advocate certain papers were forwarded to me one day with instructions to hear representatives of the Engineering Company and the Government auditors that were to appear before me. I designated a hearing room, and at the hour appointed I went in there and spent a day or a day and a half listening to the wrangle between the Government officials and the representatives of the Du Pont Engineering Company. After that I wrote a couple of memoranda on the subject, and prior to my discharge from the Army the same officials and the auditors appeared in my office on certain angles of the matter that they had presented to me the first day. That, primarily, dealt with some other of the contracts, as well as the Old Hickory contract.

Mr. ANDERSON. Who was the auditor you speak of?

Mr. FARR. Mr. G. E. Youmans was the auditor in Philadelphia who was supposed to be the chief accountant; and I think there was a Mr. J. R. Peebles also, who had the title of contracting officer, that passed on the vouchers.

Mr. ANDERSON. There were differences between them and the Du Pont officials as to the settlement of the accounts at Old Hickory?

Mr. FARR. Oh, yes; grave differences.

Mr. ANDERSON. About what time was this?

Mr. FARR. It was March 1921—February and March 1921.

Mr. ANDERSON. February and March 1921?

Mr. FARR. Yes, sir.

227 Mr. ANDERSON. Then what further connection with the matter did you have?

Mr. FARR. Why, I was discharged from the Army, I think, in June 1921.

Mr. ANDERSON. In 1921?

Mr. FARR. In June 1921 and about five days after that Colonel Hull's office, or the Assistant Secretary of War's Office phoned me, and I came down here and agreed to go up to Philadelphia to take charge of the reaudit and see if I could wind it up.

Mr. ANDERSON. Major Farr, can you tell approximately, in a general way, the status of the audit and proceeding for settlement of this contract at the time you took charge, as you say, at Philadelphia?

Mr. FARR. You mean how far it had progressed?

Mr. ANDERSON. How far it had progressed, and what was its status?

Mr. FARR. Well, on memoranda that I had written while a member of the Claims Board, the auditors had passed certain vouchers, and refused to pass others. And when I arrived in Philadelphia I found a large force of men working on those vouchers, and they were divided into all kinds of different forces under different men, with various duties. There was a lot of confusion, and nobody seemed to have the authority to say what they should do and what they should not do. So I jumped in and attempted to say what they should do and what they should not. I consulted with Colonel Hull and the other representatives of the War Department, and when Colonel Hull became Acting Judge
228 Advocate General, I then took the matters up with Colonel Morrow, and
we used to have hearings before him, at which hearings, I think Major Booton was present, and I think Major Cameron Hawkins, until he was discharged from the service, or resigned.

Mr. **Anderson**. It has appeared here in the statements of someone—either Mr. Youmans or Mr. Peebles, I forget which—to the effect that the audit was completed of this contract and the transactions thereunder to the extent of about 90 percent; that there were certain elements that were not completely audited, and that you then made a settlement for what was still owing as a lump sum. Now, will you take up the situation and tell this committee just what was the status and what you did; and where you deem it necessary to do so, say by what authority, so far as you can recall.

Mr. **Farr**. The various questions that came up, of course, involved the passing by the auditors on the accounts that were reimbursable on the various vouchers of the du Pont Engineering Company. Those vouchers covered every kind of conceivable expense; there were expenses for labor; for funeral expenses; for materials for construction; for materials for operation; for freight bills, and everything you could imagine that would be used in a plant of that size and during the time they were constructing it. The auditors—and by auditors I refer to Mr. Peebles and Mr. Youmans, although Mr. Peebles was called the contracting officer—and those auditors would pass on the vouchers, and they might say, "I don't like that voucher" and would refuse to pass it, and then those would come to me for decision.

Mr. **Anderson**. In other words, he would refuse to pass it for want of proper supporting evidence?

229 Mr. **Farr**. Not always that, but he would say that even if the evidence was proper, he might say that it should not be paid. For instance, take funeral expenses. One man's funeral expense was considered high, and he refused to pay it. It came to me, and I refused to allow it. It was appealed from my decision. The evidence showed that the money had been expended for the purpose alleged, and the attachments to the voucher were sufficient, but notwithstanding it was sufficient, in our opinion the expenditure was out of all reason, and should not have been allowed.

Now, when those things come to me—and I attempted to get the vouchers under different heads, so that one decision would dispose of all vouchers coming under that head. I would have my auditors pass on it and take it up with the du Pont people, and then write a memorandum decision or opinion either directing them to pass it or directing them to refuse to pass it. In every decision, practically, that I made, that was against the du Pont Engineering Company—with a few exceptions—they noted an appeal to Colonel Morrow, and then we came to Washington with their attorney and myself, and the representatives of the du Pont Engineering Company, and we had a hearing before Colonel Morrow, and naturally he reversed me in part and sustained me in part. Whenever he reversed me they were, of course, satisfied; but when he sustained me and upheld my decision they said, "We will go to the Assistant Secretary of War." We had a number of hearings before the Assistant Secretary of War which disposed of my decisions on appeals which the du Pont people had taken from Colonel Morrow to the Assistant Secretary of War.

230 Colonel **Hull**. In some cases didn't Mr. Peebles and Mr. Youmans bring to the attention of the Secretary some decisions that had been favorable?

Mr. **Farr**. The one that I remember particularly was the Mason-Hanger case. I rendered an opinion while in the Army on the Mason-Hanger contract. The decision speaks for itself, if anyone cares to see it. After that they had been allowed quite a sum of money, fees paid subcontractors. And in this hearing, when before the Assistant Secretary of War, Colonel Morrow and Mr. Cassel objected to that, with the result that the Assistant Secretary of War, Wainwright, forwarded it to the Claims Section, and being forwarded there by the Assistant Secretary of War——

Mr. **Anderson**. Go ahead. What did you do?

Mr. **Farr**. Now, there were a tremendous pile of vouchers, and to anyone who has not seen them you cannot visualize the pile of work there. There were vouchers in various conditions, the paper being worn out and chewed up, by constant handling. Mr. Peebles would scrap directly first with the representatives of the du Pont Company, and as I say, if they could not get together, they would come over to me and I would write a decision or memorandum, and then they would handle it.

Now, I understood that some question has been raised about the percent of the audit of the material receipt vouchers. I was told someone had made the statement that only 10 percent had been audited.

On October 7, 1921, which was shortly after I began on this, I took the matter up with Mr. Peebles as to what extent delivery had been established
231 on materials on various contracts. And under date of October 7th he
advised me that——

Colonel Hull (interposing). What year, Major?

Mr. Farr. 1921. [Reading from memorandum:]

"Referring to conversation of today with reference to establishing delivery of materials on the various contracts, we have established delivery, through the efforts of our investigators and information which we have been able to develop, approximately as follows:

"Ives, 98 percent;

"Seven Pines, all vouchers except three;

"Penniman construction, 80 percent; Penniman operation, 90 percent;

"Tulleytown, 60 percent;

"Old Hickory, operation and construction, 90 percent."

After I got this from Mr. Peebles, who had been working on this, I issued a memorandum that for the administration of vouchers, they should cease to attempt to establish the deliveries of the materials that were supposed to be covered by these vouchers, and to accept the vouchers. We did that, except where the vouchers, themselves, on their face showed there was something wrong about them, and then in each case we compelled the du Pont Engineering Company to submit additional and other information.

Mr. Anderson. Now, Major, will you state why you gave those instructions?

Mr. Farr. Why, I presume that I discussed the matter with the officers of the War Department with whom I was working, and my recollection is that
we were not establishing sufficient recovery money to justify the con-
232 tinued expense of verifying the other 10 percent. or whatever percent
it was on the various contracts. In other words, I could not see where, by spending a dollar to collect fifty cents, that I was helping anything, so I quit. That is my recollection.

Mr. Anderson. And you gave that order to discontinue undertaking to establish the actual delivery—check the actual delivery in the remaining unestablished deliveries, because your experience demonstrated at that time that the amount established by such elaborate checking did not pay the cost of the work?

Mr. Farr. Yes, sir.

Mr. Anderson. Now, let me ask you: It has been stated here, I think, that at the time that instruction was given, that there was an undisposed-of voucher, or undisposed-of vouchers in suspense on the Old Hickory contract to the amount of about $5,000,000?

Mr. Farr. Covering what?

Mr. Anderson. In the Old Hickory contract.

Mr. Farr. But covering what?

Mr. Anderson. Covering operation and construction.

Mr. Farr. Well, I have not made myself plain; covering receipt of materials?

Mr. Anderson. I don't think it was very clear; that there were items that had been put in suspense to the amount of $5,000,000 balance on these Old Hickory contracts.

Mr. Farr. Well, that statement could be correct and yet not show anything, because at the time that I wrote this memorandum I had not been reversed in
part by the higher officials and the Assistant Secretary of War, and the
233 total items that I had disallowed might run 5,000,000; I don't re-
member. I could establish that approximately, I think, by going over the files or the new files that were left at Frankfort Arsenal.

General Williams. And that then would be only a portion of it?

Mr. Farr. Oh, yes; these vouchers covered all sorts of things; scouting for labor; funeral expenses; cars, and every conceivable thing that could be used down there.

Major Booton. And bonuses?

Mr. Farr. Yes; that was a big item.

Mr. Anderson. I will come to that later.

Mr. Farr. The going-away bonuses.

Mr. Anderson. Before you get to that, let me ask you: Up to the time you gave these instructions, every audit was a complete audit?

Mr. Farr. Every voucher was, unless the men lied to me; if they did, my information was wrong.

Mr. Anderson. Well, everybody may be subject to that.

Mr. Farr. There were upwards of 150 or 175 men. I had to depend on my men. Before I said, "Quit; you are getting nothing", I said to Mr. Peebles, "How much are you getting?" He said, "Nothing." Up to that time he had handled, so far as I know, every voucher; he passed on every voucher, and then I said to quit.

Mr. Anderson. You told him to quit checking actual delivery of material, or did you tell him to quit auditing vouchers?

234 Mr. Farr. Oh, we put them all through the books. I told him to quit demanding of the du Pont Engineering Company supporting papers, if what they said on their paper was true.

Colonel Hull. On materials?

Mr. Farr. Yes, sir.

Mr. Anderson. On materials alone?

Mr. Farr. Yes, sir.

Mr. Anderson. Now, in order to get at the bottom of this, it has been especially urged on our attention that the amounts for bonus were in suspense. What took place about the bonus?

Mr. Farr. That is rather a long story?

Mr. Anderson. Make it as short as you can: we are not interested in the details.

Mr. Farr. The du Pont Engineering Company first presented a voucher covering a payment of bonus to men of 30, 45, and 60 days, supposed to have been based on the length of time each man had served with the parent company and with the Government. I didn't like that and disallowed it, and said that the only portion that we should assume would be the proportion of time that he had worked for the Government bore to the time that he had worked for the parent company to entitle him to the 30, 45, and 60 days. So then du Pont comes back and said perhaps they were a little harsh, or something, and that they will take a 30-day straight bonus right through. I didn't back down; I stuck to my position; and they brought it down to Colonel Morrow; and I don't know who, but either Colonel Morrow or the Assistant Secretary of War—the papers will show—accepted the 30-day bonus. That is my recollection of it.

235 Mr. Anderson. Now, there were also various travel vouchers which were said to have been thrown out because unsupported.

Mr. Farr. The travel vouchers caused all kinds of trouble and near fights and everything else. The travel vouchers from all over—all kinds of points came up. For instance, the du Pont Engineering Company hired a man in New York and sent him to the plant, and when the job for which he was hired was over, they sent him to Kalamazoo; and then they charged that travel up to us. If they could reasonably show us they had hired him from New York we allowed the return voucher to New York, but would allow no greater distance than that. Then we had the matter come up where they hired a man and sent him to Wilmington, but he had to be sent to Carneys Point for instruction. The question there involved from what point should we assume his transportation and where should we return him. I think the Assistant Secretary of War sustained me in my decision on the point that we should return him to a point no greater distance away than where he was hired. Now, there were a great number of those travel vouchers, and we fought those over.

Mr. Anderson. There have been statements made here that in some cases the company would give an amount to the individuals in a lump sum, but have no evidence that he traveled at all. What did you do with a voucher like that?

Mr. Farr. My recollection is that if we got a voucher like that that we demanded some proof—some reasonable proof that the man had traveled. We didn't think the du Pont people had any right to make a present of the Government's money to anybody. That is my recollection. I think there are some decisions that would throw light on that.

236 Mr. Anderson. Your decisions were all in writing on these matters?

Mr. Farr. I think the majority of them. There may have been a few, Colonel, that were verbal. I wil say that I turned what I have here—some I didn't get; some were left in the War Department—I turned them over to Major Carnduff, when I found this was coming up, and to Mr. Kileen.

Mr. Carndufd. You furnished me all the information you have?

Mr. Farr. Yes. There is a large file in the Frankfort Arsenal that will show what was done.

Mr. Anderson. You mean they are up there now?

Mr. Farr. Yes; I was up there a while ago and got for Major Carnduff these files relating to the audits and the bonuses.

Mr. Carnduff. And the pay roll?

Mr. Farr. I don't remember the pay roll.

Mr. Anderson. Now, then, Major, to get on; it has been suggested here that there was no audit made of the freight charges on materials there for operation or construction, and that those freight charges were very excessive; and it has been also suggested that this was possibly not made because the Government was operating the railroads at the time, but that it gave opportunity for fraud between the payment and the amount received by the railroads. In other words, that the Government would pay three times the freight charge it should, and the agent might account for the actual freight charge, and the balance would be divided. That it might occur. Did you investigate that or did that come to your attention?

237 Mr. Farr. I don't think, unless in some discussion with Mr. Peebles, that was ever suggested to me; that perhaps the railway-station agent was in cahoots with the shipper and thereby mulcting the Government. The freight proposition came up.

Mr. Anderson. What did you do with it?

Mr. Farr. I found a large end of a room devoted to freight audits. I asked them what they were doing, and they said auditing freight. My recollection is they were auditing to 100 per cent of the freight charges during the time that the railroads were not under the control of the United States Government, and that the same thing applied to express bills during the time that the express companies were operating for themselves; and that where they showed erroneous charges were made claims were filed, and we collected a substantial amount of money, in comparison.

Mr. Anderson. You didn't do it while the railroads were in Government hands?

Mr. Farr. Now, I discussed this with Mr. Peebles, and found out that what they were then working on involved a period in which the railroads were operated by the United States Railroad Administration. And under date of August 19, 1921, I gave Mr. Peebles this memorandum. It is headed "Special audit of freight bills", in capital letters. [Reading:]

"As a result of the conference with you this morning, it is my information and opinion that the following conditions exist in the continued audit of freight bills:

"(1) That from a monetary standpoint the amount of money that might be recoverable from other than the Railway Administration on account of overcharges will not justify the expense of any further freight audit.

238 "(2) That the amount of money that might be recovered from vendors on account of freight erroneously paid to them would not justify a continued audit of the freight bills.

"(3) That the continued audit of freight bills will only help to tie up and prove the receipt of materials at the plant.

"You are, therefore, directed, pending final decision on shortage, damage to, and non-receipt of materials, to discontinue the audit of the freight bills."

Mr. Anderson. I did not get the last point clear. Do you mean by that that you would only audit freight bills where there was a question of the receipt of the property?

Mr. Farr. No; I mean pending what decision I might make on material vouchers. You understand, these vouchers had various names; we called a voucher on material at the plant a "material voucher."

Mr. Anderson. I see.

Mr. Farr. I didn't want to commit myself to that so that they would put in those vouchers.

Mr. Anderson. I see; you left that audit open as to the material for the plant and the freight?

Mr. Farr. Yes, sir.

Mr. Anderson. There you left the question open?

Mr. Farr. Yes, sir.

Mr. Anderson. But where there was an audit for establishing discrepancies in freight charges, you discontinued it?

Mr. Farr. Yes, sir; and I didn't take it up again, for this reason: I came down here to Washington one time and tried to persuade the Railroad
239 Administration to pay me for the War Department some $18,000 that the Central Tennessee Railroad and some other railroad down there had received as an overpayment on freight; and the Railroad Administration said,

"No; we are not going to pay you any money." My recollection is whoever I was talking to said, "Not a damned cent." I said, "Here are the bills." He said, "And here is the release, too", and he produced a general release from the War Department to the Railroad Administration, whereby it appeared that they had struck a balance, and the War Department had paid the Railroad Administration a considerable amount of money, or vice versa, and they had called it square. And I couldn't persuade them to pay me. He said, "You shouldn't have had some damned fool down there who is paying your money out." I didn't fool any more with freight bills, because I didn't see where I could come out.

Mr. Anderson. Did I understand then there was a 100-percent audit made of freight bills for the period of private operation, as distinguished from Government operation?

Mr. Farr. That is my recollection.

Mr. Anderson. Why did you give the instructions not to continue the audit further?

Mr. Farr. Because I didn't see any use in the War Department setting up a lot of expense, such as overcharges against the Railroad Administration, and have the Railroad Administration, which was the Government, pay it to us.

Mr. Anderson. Then you discontinued it as to the Government operation?

Mr. Farr. My recollection is at the time I suspended it we had audited
240 all bills that were current during the time the railroads were running
the railroads for themselves, and that also applied to the express bills.
And I quit it because I couldn't see where we were getting any money; and if I did set up a big charge against the Railroad Administration, it was the Government taking its money out of its right pocket and putting it in its left pocket.

Mr. Anderson. Did you reach a final accounting with the du Pont Company before you left the Government, or what took place? I suggest this question for this point? It was suggested that it was settled for a lump sum, and I would like to know what you did in this connection.

Mr. Farr. I did this. Along in 1922, I think it was, Colonel Morrow phoned me to know if I couldn't come here and help with some matters here. I left Mr. Kileen up there alone, most of the clerks having been discharged. I came down. We never arrived at any lump-sum settlement. We had passed, as I suggested, certain vouchers of the du Pont Engineering Company, and I had disallowed certain vouchers, aggregating quite a sum of money. They had appealed to Colonel Morrow, and he had reversed me in part. And I had directed Mr. Kileen to accept certain vouchers that had been passed by Colonel Morrow. The other matters were appealed to the Secretary of War, Mr. Wainwright, and he also allowed certain things that I disallowed. And the things wherein he sustained me ran up to about $300,000. And at the time I left the War Department I understood those things were still standing disallowed, and the du Pont people never accepted it, and I think their attorney
admitted the other day that they had not been accepted. So if the War
241 Department had any lump-sum agreement with the du Pont Company
I never knew it. You understand I handled not only the Old Hickory,
but the five contracts. And some time, about the end of May, Mr. Kileen had to set up an audit showing the amounts suspended and the amount paid. The du Pont Engineering Company still have, I suppose, about a million dollars due the Government left off some advances made to them and not reimbursed.

Mr. Anderson. The purpose of this survey that the committee is making, as I understand, is to ascertain whether the situation in respect to the du Pont contract would justify the expense of a reaudit; and, second, whether there are any conditions or circumstances which can be developed in a preliminary and superficial survey of this character which would justify the committee in recommending that the case be sent over to the Department of Justice for further action, either civil or criminal, in the interests of the Government. I wish you would state, from your knowledge of this case, your views on that subject, on both sides, if you know anything about it or any phase of it.

Mr. Farr. Well, from the earliest inception—from the earliest time that I heard anything about this case, I heard the usual rumors that they were crooked, and that there had been money spent that should not have been spent; and the audit that I made—of course had made—I didn't do it—wherever we saw anything that looked crooked, it was suspended or called to the attention of the higher officials of the Department. And if you are asking for my opinion, I don't think that we would be justified in reopening this case on a gen-

242 eral audit, unless you have got some reasonable evidence to assure that certain accusations can be supported. In other words, if you have got something about paycar shortages, or something like that, and you have something reasonable, you might look into that. But I don't think we would recover enough to justify if we jumped in on a general reaudit. Of course, I don't know what evidence you have got here. I am wholly in the dark.

Mr. ANDERSON. Let me ask you this: You spoke of when you found anything crooked you brought it to the attention of the higher officials. Did you find anything crooked?

Mr. FARR. I perhaps was reckless in the use of the word "crooked."

Mr. ANDERSON. That is a dangerous word.

Mr. FARR. I should have said, perhaps, anything that was suspicious. I simply mean things like this: For instance, there were men who evidently faked the pay roll, and they came in for weeks and weeks and faked the pay roll. I disallowed that voucher and claim on the ground that if it happened once it might happen in such a large body of men, but if it happened for months and months there must be something lacking in the system, and the du Ponts should pay for it.

I also disallowed a voucher for the absconding of a labor scout. The du Pont people were supposed to bond these fellows, and this one they didn't bond, and he got away with some $1,500 or $2,000. Perhaps I was reversed in that case, but I disallowed the voucher.

Major BOOTON. I think you were in this case.

Mr. CARNDUFF. That money was paid.

243 Mr. FARR. I think it was. And then there was also a question, there seemed to be some thievery at the hospital; a man would be put in a hospital and his suitcase and all his belongings would be taken. They presented vouchers for that. I disallowed those. It looked to me like there was something lacking in their supervision, and I disallowed those vouchers. Perhaps the Assistant Secretary of War or Colonel Morrow reversed me; the records will show.

Now, some of the travel vouchers were disallowed. Mr. Peebles is a good man, and it did look like in some of these travel vouchers, in some claims they were too liberal in the damage allowed to furniture and things like that, and we disallowed them. We disallowed vouchers to the amount of a number of thousands of dollars.

Mr. ANDERSON. There was evidence here of the disallowance of claims for damages to furniture and claims against the railroads for damages. Did you ever deal with them?

Mr. FARR. I did.

Mr. ANDERSON. Did you disallow them?

Mr. FARR. I think I allowed damage to furniture in some cases, because I couldn't prove it was not damaged, and if the railroad damaged it, it was another claim against the Government; we were operating the railroads. In some instances, I think, I demanded proof of the du Pont Company that this furniture had been damaged. There may be some I passed without proof.

Mr. ANDERSON. Did you have dealings with a man in the du Pont Company who presented these claims and looked after them?

244 Mr. FARR. Yes; a Mr. Britton used to come over and fight with me about them, and if I made it too hot for him he would go back to Mr. Haskell and the other fellows, the higher officials, and they would shoot him full of pep, and then he would come back and fight with me some more.

Mr. ANDERSON. Did you have dealings with the controller of the du Pont Company at all?

Mr. FARR. Only if you call Mr. Schaefer the controller, I had dealings with the controller. As I say, when I got them in a corner they always had to go to see Mr. Schaefer or the higher officials.

Mr. ANDERSON. Did you find cooperation, or a disposition for obstruction, among the officers of the du Pont Engineering Company?

Mr. FARR. When I first went to Philadelphia I found that the relations between the Government and the du Pont people were very bad; they were at each other's throats, and everybody thought everybody else was a crook. That continued for a little while, until I could get it straightened out and secure cooperation. But when I had to move to Wilmington, when the office was closed at 1710 Market Street, Philadelphia, I got away from that. I told them I didn't care what anybody else had done; I wanted to get this job done. And then they did try to give me cooperation, although they were always rather

insistent the "the king could do no wrong"; they had done it, and it was right. But when I would demand proof they got it to the best of their ability. And they had a bunch of men hunting proof all the time. I see one of the men here now that I sent to Penniman to get evidence on the pay roll and as
245 to the methods of the labor scouts.

Mr. ANDERSON. Now, did you, in your dealings with the du Pont Company, come in contact with the local situation at Nashville at all, or at Old Hickory?

Mr. FARR. Well, Mr. Peebles had a bunch of men there at Old Hickory that were auditing the Mason-Hanger vouchers; primarily the vouchers of Mason-Hanger, showing the receipt of materials. And having that bunch of men there and seeing them, I wanted to know what they were doing. He said they were checking the Mason and Hanger vouchers. I asked him how long they had been at it, and he said they had been at it a long while. I asked him what he expected to do. Well, they expected to show a duplication of the Mason-Hanger pay roll for a time. So as soon as I could I went to Old Hickory—I had been there during the war—but I went back to Nashville and sent for a Government car—I think Major O'Shaughnessy was there at the time, and he sent his car for me, and I went and investigated what they were doing. They had auditors, and they had one or more stenographers, and I forget how many clerks, and they had not showed any duplication. I wanted to know when they were going to show some, and they said right away; they were just ready to start now. Anyhow, the upshot of the thing was that I told the man if he didn't show something soon I was going to can him. I came back to Philadelphia. By that time I had gotten to Wilmington. That was along in October. Along about the first of the year—I forget how far they had completed their investigation of the Mason and Hanger vouchers, and they hadn't shown
246 me enough overpayments to justify my spending any more money down
there, so I ordered Mr. Shields, who was in charge, to come here, and I discharged the other man. And Major O'Shaughnessy said to leave the records there, and he had them piled up in a room there helter-skelter. Now, you understand all these vouchers of the du Pont Company they have in their possession, and they have refused to turn them over to us. They think they have been badly treated and won't turn anything loose until everything is settled. They did have those vouchers in Philadelphia.

Mr. ANDERSON. You have brought up a matter I want to ask you about, and that is the matter of the Mason-Hanger contracts. It has been suggested here that under the Mason-Hanger contracts, on one construction they were to receive some $205,000; on another construction they did get over a million dollars with a commission or profits on those contracts. Did you have anything to do with the Mason-Hanger contracts or the settlement of it?

Mr. FARR. I construed the provisions of the Mason-Hanger contract while I was in the Army, and also in 1921. And that rode there until Colonel Morrow took it up before the Assistant Secretary of War in 1922, and as a result of that the Assistant Secretary of War took away from the du Pont Engineering Company a part of the fee that had been paid to Mason and Hanger. In the memorandum I wrote I criticized this contract, and said I didn't think they had made a contract in the best interests of the United States Government. My construction of the contract was misconstrued.

Mr. ANDERSON. Did the Assistant Secretary of War sustain your construction of the contract?

247 Mr. FARR. No, sir. I think my decision was given a construction that
I did not intend, but I sat tight, knowing what was coming; but I suppose you can say that the Assistant Secretary of War reversed me. Anyway, he took away a part of the fee.

Mr. ANDERSON. That you had allowed?

Mr. FARR. Well, I don't want to admit that I allowed it.

Mr. ANDERSON. Well, under your construction would have allowed it?

Mr. FARR. No; under the construction given to my decision it was allowed.

Mr. ANDERSON. Oh, under the construction given to your decision it was allowed?

Mr. FARR. Yes; according to my decision.

Mr. ANDERSON. Major, if you are familiar with that matter, and you are a lawyer, I would like to know if you think the allowance to Mason and Hanger under that contract was a reasonable construction of the contract.

Mr. FARR. I am perfectly willing to agree with the opinion of Mr. Cassel, who first brought it to Colonel Morrow's attention—of course, he knew this was coming up—and Colonel Morrow's opinion and the disallowance by the Secretary of War of a part of that fee. Now, as I say, I wrote that memorandum before I had all the facts before me, I frequently had to do that; you would get something to decide and you hadn't got all the facts or all the evidence.

Mr. ANDERSON. How much was the final fee allowed, do you know?

248 Colonel HULL. No final action has been taken on it by the Secretary of War, because an opinion and decision has been asked of the Attorney General.

Mr. FARR. It is down now before Judge Bigger and Judge Kerr.

Mr. ANDERSON. What is the question now?

Mr. FARR. Whether the decision of the Assistant Secretary of War shall be sustained. My recollection is Mason and Hanger spent between $21,000,000 and $22,000,000, and that they were allowed a fee of 5 percent. The objection to that fee by the men who have taken exception to it is that in various other construction contracts there was a limitation in all the contracts, so that the contractor could not get over $250,000, and that these people were, therefore, allowed too much money.

Now, this Mason and Hanger contract was a duplicate of the first contract that was entered into at Old Hickory, and that was O. K'd. by D. J. Jacklin, I think.

Now, all that fee has not been allowed yet, but Colonel Wainwright took away a certain part of it, based on the estimated cost of the plant at the time they entered into the first contract and the estimated cost of the plant at the time they entered into the second contract, on March 23, 1918.

Mr. ANDERSON. Now, going back: I think Mr. Youmans testified that under some order issued by you in September 1921 you directed him to make up abstract sheets, or something——

Mr. FARR. Yes, sir.

Mr. ANDERSON. Which had the effect of practically destroying that work.

Mr. FARR. Destroying what work?

249 Mr. ANDERSON. His work up to that date. He understood that that meant there would be a lump-sum settlement. Would you give us all you know about that?

Mr. FARR. I got up there and found these men doing a whole lot of what appeared to me to be useless work. When I asked them what they were doing he said it was being done under the rules of the War Department. I wanted to know why it was being done in that way. He said so that when the next war came on they would have a proper accounting so that they would know just how matters stood. They made up a great number of sheets of these figures. They had a white sheet, and then a green sheet, and a red sheet, and then two or three other white sheets, and they put those in the typewriter, and you have the vouchers that referred to lumber, and the vouchers that referred to tin, packed up according to some theoretical observation, down here at the Ordnance Department. So it was taking a whole lot of time. We had no inventory of the stuff at the plant; so far as I could find, we were absolutely unable to set up a property accountability, and after discussing it with Mr. Cassel and Colonel Morrow—I don't know whether I said anything to Colonel Hull; if he was around I suppose I did—we decided we didn't care what the Ordnance Department wanted; it was taking too much time, and we didn't believe the Ordnance Department knew they wanted it anyhow. So we took a piece of paper and put the number of the voucher here, and the amount of the voucher here, and the amount allowed over here, and we took the number of vouchers together, and we had the total amount, and when we got
250 through we had practically the same thing as they had before. Then I issued that order, and the vouchers went through. It was about that time that Mr. Youmans came to me and told me that he was not in sympathy with the present methods of auditing, and he was going to resign, and he did. Shortly after that I appointed Mr. W. E. Kileen as my chief accountant. Now, if that spoiled the audit, I don't know how it did it, because we didn't do a thing except to set these things up in a short, brief, comprehensive manner; at least, I was so advised by various accountants I talked to, that it was just as good a way, and we got away from all the time it took in setting up all these other things in the other way.

Mr. ANDERSON. Major, I wanted to get a little clearer in my mind—because Mr. Jones made a good deal of that—just what was the process? As I understand, these vouchers were first audited; is that true?

Mr. Farr. What do you mean by audited, Colonel?

Mr. Anderson. I mean checked; audited and established; verified.

Mr. Farr. Well, I will tell it as I saw it there.

Mr. Anderson. Yes; you do that.

Mr. Farr. Mr. Youmans only had authority to set it up in his control sheets; they had great, big books there, and those were summaries on the pink and green sheets, of the vouchers that Mr. Peebles sent over to him as properly established.

Mr. Anderson. I see.

Mr. Farr. He had no authority to say that a voucher was proper; if he didn't think it was, he came to me with it and told me he thought I had
made a mistake, and it should not be allowed. But Mr. Peebles, with a
251 bunch of men he had, checked these vouchers, for the sufficiency of the
vouchers, and then sent them to Mr. Youmans, and if Mr. Youmans didn't audit them, I didn't know it. I thought they were audited. Peebles went over them for the sufficiency of the attachments, and then Youmans audited them.

Mr. Anderson. In other words, they were first audited by Mr. Peebles as being properly supported?

Mr. Farr. Yes, sir.

Mr. Anderson. And then checked and audited by Mr. Youmans?

Mr. Farr. Yes, sir.

Mr. Anderson. And then were they listed, if they were entered on this sheet?

Mr. Farr. Colonel, they were entered so many times I don't know——

Mr. Anderson (interposing). I mean, putting down an entry here on this form you spoke of had nothing to do with the summary?

Mr. Farr. Well, they had great control sheets; they had them up there by the ton, on which every voucher was put down and went through the mill.

Mr. Anderson. And when they got to this point, it was put on one sheet instead of four sheets?

Mr. Farr. Oh, we had many duplicates, too.

Mr. Anderson. I mean, instead of the different colors? You spoke of the red and green sheets. When they got to that point, they had been audited and duly checked, and this was a summary for the records of the Department; do
I understand that correctly?

252 Mr. Farr. I understand when they got to Youmans and he put them
on his books—these were great detail sheets; they were in great detail, these summaries—that the vouchers had then been checked. That was my understanding; that they had been checked and audited. Now, if you will ask Mr. Youmans that question he can tell you—or Mr. Kileen, or any of them that were on the books. But I am not a bookkeeper, and depended on them to keep the books.

Mr. Anderson. Now, were there any other irregularities, other than you have mentioned, in connection with the operation and construction of Old Hickory that you have not mentioned? You have mentioned some hospital and furniture bills. Can you think of any general class of irregularities that was brought to your attention that were flagrant?

Mr. Farr. Well, funeral expenses; and doctors' bills; and the Santo Domingo niggers, and things like that. And the flu victims, and the excess price for coffins—boxes.

Mr. Anderson. In those cases did you reject the vouchers, or insist upon a reduction; or what did you do with it?

Mr. Farr. I was reversed in some of those cases. I wrote a decision about the situation and the men down there, and limited it to the officers in the Army. I think I was reversed on that. And the doctors' bills, some I allowed; I don't know whether I disallowed any or not. And the undertakers' bills. I remember one I disallowed—two; I disallowed two or three undertakers' bills that I thought were too high on the same theory that we were not justified in
paying for a man that was working at a plant any more than we would
253 pay for a man in the Army I based it on the same thing; but I think I
was reversed on that.

Now, of course, there were charges made that a man would start from San Antonio, Tex., for Old Hickory with a train load of laborers, and when he got to Nashville he would check up noses and find out that he didn't have them; they had absconded along the road, and he had lost 15 or 20 of them. Those decisions were made on the theory that a different method should have been used to keep them on the train, and the Government should not pay for a ticket for a man up to the time that he jumped off the train. The same thing with reference to meals. I investigated that and found out that everybody was having a hard time getting labor, and everybody was having trouble—the Government and everybody else.

Mr. ANDERSON. And you allowed them?

Mr. FARR. I think I allowed them, unless it was out of all proportion, in which case I would not have allowed it.

Mr. ANDERSON. Is there anything else in connection with this matter that you can tell the committee to enable the committee to determine whether there should be a reaudit, or whether it should recommend that the case be sent to the Department of Justice, or recommend that it should be closed? If so, tell it now, will you?

Mr. FARR. Well, Colonel, I don't know what you had brought out here before; I don't know what your charges are, and there was so much to remember here——

Mr. ANDERSON. It isn't an investigation of charges; it is a survey.

Mr. FARR. This was an expenditure of millions of dollars, and I think every conceivable voucher came before me for payment, from a woman's skirt
254 to a pair of trousers for a man; little bills, and big bills, everything conceivable came before me; spoiled meat, and rotten cabbage, and every conceivable thing. That is a right big question; I don't know how to handle it.

Mr. ANDERSON. Did you find, in your investigations, that any material was received there and paid for—charged for, and then shipped away; was that brought to your attention?

Mr. FARR. No; I found that the du Pont Engineering Company had made a contract with the parent company to handle the sales of salvage there.

Mr. ANDERSON. Did it come to your attention that the du Pont Engineering Company had transferred material from Hopewell to that point at Old Hickory; and if so, under what circumstances?

Mr. FARR. From Hopewell?

Mr. ANDERSON. Yes; for operating.

Mr. FARR. I think perhaps there was some transfer of powder-making machinery, or something like that, and some badly needed stuff at Old Hickory was transferred to Hopewell, but I have no particular recollection of it. I know we transferred some stuff to Penniman; we had a lot of trouble getting that straight. You see, at Penniman the du Pont people had one contract of their own, and one of ours.

Mr. ANDERSON. Gentlemen, can you suggest any questions in particular?

General WILLIAMS. Major, in an operation of this magnitude, would you expect that there would be certain dishonesties and irregularities?

255 Mr. FARR. Why, I think certain small ones would be bound to happen, like somebdy swiping pay checks, and matters of that kind.

General WILLIAMS. Let us take a commercial enterprise, say, like the building of the Gary plant of the steel corporation. Do you suppose they had certain irregularities in the building of that plant?

Mr. FARR. Personally, of course, I don't know anything about it. But take the J. G. White Construction Company, and those people, they all suffered the same kind of losses.

General WILLIAMS. In your investigations in this case, did you find any evidence that there was anything serious in the way of irregularities; anything on the——

Mr. FARR (interposing. In certain things I thought the du Pont Company was too liberal to its officers and themselves, and frankly said so and wrote memoranda to that effect.

The CHAIRMAN. Would it be practicable, Major, to separate and segregate the items about which there are no disputes from those about which there is a dispute?

Mr. FARR. It would be very hard, sir. You understand this is a colossal task, and many thousands of vouchers. To start with, you would have to separate your vouchers, and get them out in two separate piles, like you would separate and sort a deck of cards; you would have to take the vouchers that come under such a ruling and such a heading, and then the vouchers that were classed as good, and were paid, and that came under another heading. It is a colossal job.

The CHAIRMAN. Were they filed in that way; and not filed together?

256 Mr. FARR. I can't tell you how they were filed, because the du Pont Company has retained those; in consequence of which the general comptroller has disallowed every payment, and so instructed the disbursing officer.

Mr. Anderson. I think what the Secretary has in mind is this: Suppose, for instance, on the question of the bonus; those bonus items are all——

Mr. Farr (interposing). I think the bonus vouchers were set up on great large work sheets, perhaps with the man's name, and you could take all the evidence and handle that without setting up those vouchers individually. I think those are set up; the going-away bonus, and the regular bonus—there were two bonuses. And I think the return transportation of the men is set up. There are great large sheets. We worked them up to see how much was involved. We also worked up the various vouchers for the amounts.

The Chairman. Isn't there also a list of suspended items? Suppose, in the case of any suspicious items, wouldn't those items be suspended?

Mr. Farr. When I made a decision against the payment, it would be suspended, but when it came down here to Colonel Morrow and Colonel Morrow reversed me, it would go through, usually. If Colonel Morrow sustained me, it would be suspended. And then if it went to The Assistant Secretary of War, and he reversed us both, then it went to the disbursing officer to be paid.

Mr. Anderson. Is there anything else?

Mr. Carnduff. I desire to invite the attention of the committee at this
257 time to the testimony of the witness that the bonuses, to a large extent,
were paid; and to advise the committee that by a recent decision of the Court of Claims, unanimously rendered in the case of Preiss against the United States, which has just been printed this week, so recent is it, that the Court of Claims has decided that all such bonuses are illegal, and an action for recovery will lie. It is, therefore, our duty, I believe, as officers of the United States to institute an action for the recovery of them.

In addition to that, I am impressed by the testimony of the witness that approximately a million dollars—I don't thing it is quite that much—is retained by the du Pont Company, regardless of any further claims. I believe it is our duty to recover such sum and pay it into the Treasury of the United States.

The Chairman. That would not affect our rights under any further claims against them, would it?

General Williams. No; it has no bearing, I think, on the re-audit.

Mr. Carnduff. It has a bearing on our investigation of the case.

General Williams. What is there to investigate? It is admitted. What is there to investigate? It is admitted that is there.

Mr. Carnduff. Has any action been taken to recover the money?

General Williams. What has been done will be shown by the records.

258 Mr. Farr. The du Pont people frankly admit they have the money;
and every time they spend a little money they charge it up to us.

General Williams. The amount of money is governed by the contract.

The Chairman. Is there any other question to ask him?

Mr. Anderson. Have you got clear the question of segregation, Mr. Chairman?

The Chairman. He said it would be very difficult.

General Williams. I would like to ask him if that amount of money in the hands of the railroads, the $28,000 or $29,000 is our old friend that Mr. McLane has introduced here?

Mr. Farr. I have not heard the testimony here.

General Williams. Will you make the statement of it, Mr. McLane?

Mr. McLane. The statement is made that the N. & C. Railroad is ready to pay over to the Government $29,000 that it has in its hands.

Mr. Farr. Why don't they do it? They wouldn't give it to me.

Mr. McLane. I couldn't state about that. I am stating this at the request of General Williams, that there is in the hands of the Nashville & Chattanooga Railroad, as I understand, about $29,000 that it is ready to pay over to the Government.

Mr. Farr. I will state that there was a question with reference to some money to the N. Y. C. & St. L. for shipments to the Frankfort Arsenal; in the files
there there is a history of that matter, and there is some money in their
259 hands, I think. But they refused to turn it over, on some decision of
the Department here.

Mr. McLane. What was that amount?

Mr. Farr. I don't know the amount. Some of the witnesses could state it, I believe.

Mr. McLane. And was there some amount from the T. C.?

Mr. Farr. The Tennessee Central?

Mr. McLane. Yes.

Mr. Farr. Yes; I think so.

Mr. McLane. What was there from the N. & C.?

Mr. Farr. I don't know.

Mr. McLane. You have testified about the way the vouchers were audited. Was there ever any investigation made as to the price the du Ponts sold to the du Pont Engineering Company, through their various agencies and small companies, was there any investigation made with reference to purchasing from themselves, as to the prices, and the quantity and quality delivered?

Mr. Farr. As to the quantity, I presume there was. As to the prices, I had no idea who the subsidiaries of the du Ponts were, except, I believe, the Broadway Motors, in which it was claimed they had an interest, and it was claimed that the du Ponts paid Broadway Motors $50 more for Chevrolets than they were selling for to other people. We investigated that, and it was established that the price at which they were sold was the price they were sold to other people.

Colonel Hull. What was that?

Mr. Farr. That the price they sold Chevrolets—Chevrolet cars to the du Pont people was the list price, and was not any more than they were charging other
people.
260 Mr. McLane. To refresh your memory, I will ask you if there wasn't
a recovery from Broadway Motors, and if it isn't a fact that was $100 difference; that is, they sold for $600 to them, and on the streets of Nashville for $500, and that there was a considerable recovery?

Mr. Farr. If there was, I didn't know it. My recollection is—if you will ask Mr. Peebles, who is here, he can tell you, because he investigated it at my request. I don't recollect that I ever recovered a penny. But we thought we were going to recover a substantial sum, but we fell down, because we couldn't establish that Broadway Motors had charged the du Ponts any more than they were charging other people.

Mr. McLane. Now, there was an item of hams that came to you, amounting to $1,700, shipped by Morris & Company, which, on receipt, were not fit for use.

Mr. Farr. You are asking me about one of thousands of items. I don't remember about that. I remember I had a lot of fight about rotten meat. If it was in that, it came to my attention.

Mr. McLane. Now, that voucher was paid, and no attempt was made to collect the $1,700, and the meat was shipped out again and resold.

Mr. Farr. You are making a statement I know nothing about.

Mr. McLane. I am asking you about that.

Mr. Farr. I am answering you that if the matter was brought to my attention
I presume I investigated it. If the meat was shipped out and sold, I,
261 at this time, have no recollection of it. And if the records do not disclose
there was a recovery made, there was none made.

Mr. McLane. Understand, Major, some of the questions I am going to ask you, some of it may be true, and some may be untrue.

General Williams. Are these matters you have now true?

Mr. McLane. No, sir; I have allegations that it is true.

General Williams. Why should the committee take up its time with this matter?

Mr. Farr. There was some meat came in there that was undoubtedly rotten. It came in on the car, and there was no ice on it and it spoiled.

Mr. McLane. This is a matter for you to rule upon, of course. You are a member of the committee, and if you think it is improper I don't want to go into it.

General Williams. It seems to me these rumors are mere rumors and they should be investigated before it came to the attention of this committee.

Mr. McLane. I have no power to investigate it, you understand. I am bringing it to the attention of the committee for you to investigate it.

Mr. Farr. I will say for Mr. McLane that the only way I can establish it is from the voucher in the possession of the du Pont people. And while various rotten meat matters were brought to my attention, I don't remember it.

Mr. McLane. I will say that Mr. Towler, Chief of the Bureau of Investigation
states that he has that voucher of $1,700. Of course, if the committee
262 does not desire these matters that I have partial information upon, that
they are true, I don't desire to bring them in. If it is not proper to bring them in, I don't want to burden the record, or the time of the committee You are a member of the committee, and it is up to you to determine it.

Mr. Farr. I will be glad to answer anything you ask me, if I can.

Mr. McLane. I am sure of that.

The Chairman. I think it is all right, General.

General Williams. So far as I am concerned, I think it is a waste of time. I don't care anything about it.

The Chairman. You may proceed, Mr. McLane.

Mr. McLane. Now, I will ask you if the hospital bills first presented by the Nashville Hospital were ever audited?

Mr. Farr. What do you mean by audited?

Mr. McLane. By any person from the du Ponts, or your people, or in any other way?

Mr. Farr. Do you mean whether my men went down and went over the hospital bills?

Mr. McLane. Whether the amount presented by the hospital bill was ever audited in any way?

Mr. Farr. I presume every bill from that hospital was audited by the auditor whose hands it went through.

Mr. McLane. That would be mere presumption, and without any definite knowledge on your part?

Mr. Farr. Mr. McLane, I have heretofore given a statement as to how those very vouchers were audited, and you must remember that I was in charge of
the auditing of thousands of vouchers, and that I not only don't remember
263 or attempt to remember these individual instances, but can't. And if
those vouchers came to my auditors, as they must have, I presume there
must have been some kind of an audit made of them.

Mr. McLane. Now, if almost daily during the month of November there were duplicate charges for different men in the hospital receiving services and charged to you—if there were men who paid their own expenses, and that were, in turn, charged to you, those facts didn't come to your attention; you would have remembered that if that had been a daily occurrence?

Mr. Farr. No; I don't know as I would have remembered that. If it had been a daily occurrence, as you say, I presume I would have. But I have no recollection of any such thing at the hospital there. I suggest that you ask Mr. Peebles; maybe he can tell you.

Mr. McLane. Now, could you recall whether there was an undertaking firm, Myers—did you have any suspended items that came to you from that firm?

Mr. Farr. Was that the undertaking establishment that had some bills against the county, and we had a fight as to what the charges should be?

Mr. McLane. I can't tell you.

Mr. Farr. If it was, I think there is a large file on that. Because they billed the county and us, too, I think.

Mr. McLane. Those files were not audited, were they? In other words, it appeared from the records that came to you, and the bills that were paid by the Du Pont people, that caskets that cost them $23 were billed to you at the
rate of $250; did you have such items?

264 Mr. Farr. I had various items from this undertaking establishment, I
think.

General Williams. Aren't those all matters of record?

Mr. McLane. I couldn't say, but I don't think so.

Mr. Farr. I don't want to be put in the position for the record here of answering yes or no to these things.

Mr. McLane. I don't want you to be.

Mr. Farr. But I will say that the records in Philadelphia and Frankfort Arsenal and Wilmington will show what items I disallowed on those matters individually. Now, in these undertaking establishments, we had a lot of fuss about that, and that matter was under investigation for quite a while, and there were large bills, and I think that the bill that they submitted was, after a good deal of effort by special representatives of the du Pont Engineering Company sent down there, was afterward cut down very much smaller that they presented it.

Mr. McLane. Now, if those items did come to you, they are matters of record; if they did not come to you, then there are reasons why they should now be investigated and be collected from the du Pont people, who paid them?

Colonel Hull. Isn't that necessarily a conclusion?

Mr. Farr. Mr. McLane, if you ask me these questions, I could answer them; but when you put a lot of conclusion in them I couldn't answer them without

committing myself, which I am not going to do. If I passed on these things, which I did after the du Pont people got hold of it, the records are there and will speak for themselves. I am sure the du Pont people will help get
265 hold of it. If it has not been investigated and is crooked, it should be investigated; I will say that.

Mr. McLane. As major in charge, did it come to your attention that the du Pont people used and continued to use a number of men whose duty it was to make up receivers' checkers' cards, who were not present when the material was unloaded from the cars or trucks, and it was their duty to make up these cards, and that those were the cards that you passed upon?

Mr. Farr. I have heard it said a good many times that they employed a large force of men to make up the receipts you refer to. On October 7, 1921, I was advised by Mr. Peebles that he had verified—to quote him, "We have established delivery, through the efforts of our investigators and information which we have been able to develop, approximately as follows: Old Hickory operation and construction, 90 percent."

He had advised me that he had, by extraneous examination, by various vouchers or papers or investigations of his men and efforts of the du Pont people—had been able to establish, regardless of what the face of the voucher shows, 90 percent of a delivery so far as he had gone.

266 Mr. McLane. No; you didn't answer my question. Did you or did you not have this definite information at the time you passed upon these material vouchers: That a number of men in the custody of and in the charge of and under Mr. Brown were employed with the one purpose—to make up a checker's card without being present at the receipt of the material, on the receipt of the material?

Mr. Farr. Well, that question is hard to answer. I told you I had heard these rumors. And that the men working under me had been able to establish 90 percent delivery, and that, regardless of the rumors, I had taken their word for what they had been able to establish.

Mr. McLane. Now, at the time those rumors came to you did you investigate or undertake to find out from the parties who made the 90 percent report—to wit, Mr. Peebles—whether or not he was accepting the checker's cards, which were, as it was said, to use their term, "fabricated"?

Mr. Farr. I don't think you understand what these vouchers were.

Mr. Anderson. Excuse me just a minute. How much longer will this take, Mr. McLane? I was wondering whether it would be better to adjourn now until after lunch and then have Major Farr come back. It is a quarter of 2 now.

Mr. McLane. I will be through with him in just a moment.

Mr. Anderson. All right.

Mr. Farr. These vouchers had various annotations on them by Government checkers, Government auditors, and representatives of the du Pont Engineering Company. That voucher never had attached to it a checker's card. The
267 checker's card was supposed to be somewhere; where they were I don't know. But the voucher that came to me had no checker's card attached to it. That is my recollection.

Mr. McLane. But, Major, that is not my question. Did you not understand that this 90-percent investigation was based upon checkers' cards fabricated?

Mr. Farr. No; I did not.

Mr. McLane. By Brown and others?

Mr. Farr. No; I never heard of it. I don't think I did ever hear of it.

Mr. McLane. Did you not understand that that was based upon checkers' cards fabricated by men in their employment to make those checkers' cards?

Mr. Farr. No, sir; I will answer that by saying that I of course heard that they had these people there to fabricate cards. But that if my men could establish, regardless of the checker's card that the stuff came into the plant, I didn't think that the checker's card was material.

Mr. McLane. Did you make any investigation to see whether or not Major Peebles and others who made their reports to you accepted those fabricated checker's cards without a reference to you, or without a suspension?

Mr. Farr. No, sir; but I don't think that I saw any of the cards, and Mr. Peebles was working right across from me, and if he had been using those cards to bolster up his statement to me I think I would know of it; because we had fights enough there about receipt of materials to impress it upon my recollection. There was a whole lot of trouble about it. And we heard rumors a good many times.

268 Mr. McLane. That is all.

Mr. Anderson. We will adjourn until 3 o'clock then.

Mr. Farr. Gentlemen, am I to come back?

Mr. Carnduff. No; I don't think that will be necessary.

Mr. Farr. All right, I will go then, if you don't want me to come back this afternoon.

Mr. Carnduff. Mr. Chairman, we have no further evidence to offer at this time, and perhaps we can adjourn permanently.

General Williams. There is a whole room full of people over there who want to be heard.

Mr. Carnduff. We have no further evidence, Mr. Chairman, to offer at this time.

General Williams. Don't you think that the du Pont people should be heard in the matter?

Mr. Carnduff. Not here; no, sir.

General Williams. Not here?

Mr. Carnduff. Not in this matter.

General Williams. You don't think that the du Pont people out there should be heard in this matter now?

Mr. Carnduff. No, sir.

Colonel Hull. How about Kileen?

Mr. Carnduff. If you want to hear Mr. Kileen, very well. I am perfectly willing.

Colonel Hull. You are anxious to go into the matter and find out all about it, and you take up a great deal of time in bringing Major Guise in here and questioning him at great length. You bring in Major Guise, who knew nothing about it, and here is Kileen, who is a clean-cut fellow. Don't you
269 want his testimony as to what happened?

Mr. Carnduff. I am perfectly willing that the committee hear Mr. Kileen.

Colonel Hull. Isn't it as important that the committee hear Mr. Kileen as Major Guise?

Mr. Carnduff. I am perfectly willing that the committee hear Mr. Kileen, if you desire to introduce him. Major Guise knew a great deal about this. We had better adjourn until three o'clock.

General Williams. Don't you want to hear what the du Pont people have to say?

Mr. Carnduff. No, sir; not at this time.

Mr. Anderson. I think we had better adjourn until three to hear Mr. Kileen, and then we can ask the du Ponts to come back a little later, I think, if that will suit you. I would rather take them up when I have got a whole day. And we cannot take them up next week.

Colonel Hull. Have you got any further questions, Mr. District Attorney? Are there any further inquiries that you had in mind to make? If you have, I suggest that you ask Peebles, because you can probably get a direct line on that as to what has been investigated and what has not. If we recovered $250,000, why certainly some of the irregularities that we recovered upon you might have heard about, and if we recovered it there is no further use of going into it.

Mr. McLane. I agree with you thoroughly on that.

Colonel Hull. I would ask Peebles, because he was over it. And if it is one of those various things that you have heard, and he has made complete
270 recovery on it, there is no use of going into it.

Mr. McLane. Yes.

Mr. Farr. I understand then that I am not to come back?

Mr. Anderson. Major, I don't know of any reason why you should come back.

Mr. Farr. Well, I won't come back then.

Mr. Anderson. We will take a recess until 3 o'clock.

(Thereupon, at 2:05 p. m., a recess was taken until 3 o'clock p. m. of the same day, Friday, May 11, 1923.)

271
AFTER RECESS

The hearing was resumed before the Subcommittee on Ordnance Transaction of the General War Transactions Board, at 3:10 p. m., Friday, May 11, 1923, pursuant to recess.

Mr. Anderson. You may proceed, Colonel Hull.

STATEMENT OF WALLACE G. KILEEN, DETROIT, MICH.

Colonel Hull. Mr. Kileen, were you ever in the Government's employ?

Mr. Kileen. Yes, sir.

Colonel Hull. What years?

Mr. Kileen. From March 11, 1918, until August 17, 1922.

Colonel Hull. In what capacity?

Mr. Kileen. As an accountant under civil service, and the War Department.

Colonel Hull. As such did you have any dealings with the accounts of the du Pont Engineering Company?

Mr Kileen. Yes, sir.

Colonel Hull. State in your own language what connection you had with those accounts. The dates and generalize.

Mr. Kileen. In October 1921, I came to Wilmington at the request of Major Farr, and worked under Mr. Youmans on the du Pont Engineering Company contracts. At the time that Mr. Youmans left the service Major Farr wrote a memorandum authorizing myself as chief accountant. What had I better do? Tell my duties there?

Colonel Hull. Yes; go ahead and tell it in your own language.

272 Mr. Kileen. At that time the course or procedure was through a control record, which was a columnar affair listing all the vouchers in connection with the du Pont Engineering Company contracts. This record showed the action taken on the vouchers.

Mr. Anderson. Pardon me a moment. May I ask: Do you know whether Mr. Gregg and his associates have been told what the committee is going to do?

Mr. Carnduff. No, sir; I have not

Mr. Anderson. Major Booton?

Major Booton. No, sir. They are still waiting for instructions, and they have a number of people from Detroit that they want to hold here until they find out what is to be done with them.

Mr. Anderson. I don't think, General, if we are going to adjourn after this session—and I am almost compelled to devote my time for several days to other matters—I don't think it is hardly reasonable to ask them to continue to stay here now. In the first place, I want to have this written up so I can read it over and digest it before I ask them any questions. And secondly, I don't think I can possibly take it up until week after next. And I think we ought to tell Mr. Gregg that this thing is taking very much longer than we anticipated it would, and therefore we had better notify them when to take it up with them. Don't you think so, General?

General Williams. Yes.

Mr. Anderson. With your permission I will do so.

General Williams. Yes.

273 Colonel Hull. Proceed.

Mr. Kileen. This record showed the action taken on the vouchers; that is, each voucher was listed in number and amount, showing whether same had been approved and summarized, or suspended. The vouchers that appeared in the suspended column were being reviewed at the time that I went on the du Pont Engineering Company audit. And as stated before, these vouchers stood out on this record, showing that they were suspended through this suspension column.

In the meantime several decisions had been made by various Government representatives, and as the vouchers previously suspended were reviewed they were either resuspended or approved in accordance with the decisions. In case of approval it was so shown by a rubber stamp placed on the back of the voucher by either Mr. Peebles personally or his assistants. The vouchers approved were collected into a schedule, replacing the regular War Department summary form which had been previously used for recording approved vouchers. The vouchers which were not approved remained in the suspension column until the completion of the work, and now appear in a report, I think as of May 31, 1922, listed as suspensions.

Colonel Hull. What was the state of the completion of the accounting and stating of the vouchers when you left?

Mr. Kileen. When I left the du Pont I made a report which is a matter of record here, I think—I brought the copies all to Washington—which showed the condition of the work at that time. Now, of course, a lot of that work
was a patch-work of auditors. A lot of it was audited before I came
274 there, and a lot of it was in course of work when I came, but there is a
break in the summaries where they break off from the old summary

form to the new schedule form which picks up all of the vouchers that passed in that time. Now, I can't say whether some of those vouchers were hangovers or not, but that is a pretty good dividing line on that break in that summary form.

And right here there is a point that I want to mention. When I came to Wilmington, one one of my early trips to Washington, it was decided down here that the summary form would be discontinued—or I think that had been decided previous to that time, and Mr. Cassel went quite into detail with me as to how they would be reported. The new form of report was merely a schedule of voucher number and amount.

Colonel Hull. Did the doing away with the summary interfere with the value of the work in any way?

Mr. Kileen. Well, of course, it gave you no classification, and previous to that time there had been a classification of vouchers. As far as payment is concerned, especially on construction work, I don't see where that would affect it any. If the voucher was approved, why it was approved. But when you come down to the split between construction and operations it would have been of value to have been able to pick that out. It would help determine cost quite a little. I wanted to get at the cost of operations a little while afterwards, and that was the difficult part of the operation.

Colonel Hull. Did you get the cost of the operations?

Mr. Kileen. I went over the operations, Colonel Hull, and I cannot say that I saw every transaction in connection with the operations. You
275 see the vouchers had all been passed, and had this rubber stamp on
them, and previous to my coming to Wilmington the materials had been audited, that is, for prices, I believe, but I can't tell how far that price business went, because when I came that price business was being audited, and the receipt of materials had been passed upon, or decided upon, so that these vouchers had all come through into the approved column.

Well, for construction that went pretty well, but when you come down to operations it took quite a lot of digging in order to make that dividing line, because on operations there was a question of profit, and questions of distribution, distributing some of this expense between operations and construction.

Colonel Hull. Well, how was that done?

Mr. Kileen. A good deal of it was done on pay-roll basis. And there is another thing. Of course, the pay-roll work had all been taken up long before I came to Wilmington. That had all been passed.

Now, I have in mind one particular transaction: The charge for passenger-train service, and charge for operating a powder-plant railroad, what they called the "powder-plant railroad." It was pretty difficult to draw the line between what would be construction, what would be operation, and what would be closing down, and that was all quite important from the profit standpoint. From the records that I had available there in the office, without any knowledge of the condition at the plant, and from Mr. Peebles' help, I did manage to change the distributions to our advantage to the extent of reducing the
276 profit $139,000, for which the contractor gave a cash voucher and
returned the money.

And there was also another item of $55,000 which I never knew the final status of, but that was a question of contract, I guess ,a question of law or something. That f. o. b. point Nashville.

Major Booton. That was the question of the freight differential between Nashville and the plant?

Mr. Kileen. Yes.

Colonel Hull. About how much was left uncompleted?

Mr. Kileen. Well, that would be an awful hard thing to say.

Colonel Hull. What do you mean?

Mr. Kileen. Well, it means what you consider completed. Now, for instance, the pay rolls. When I came there, of course, from an ordinary auditor's standpoint you would naturally pick up the pay rolls, that being the basis for the distribution, but I was given to understand that the pay rolls were all settled. And I never touched that part of it at all. Now, if you want to consider that uncompleted, that would be quite a factor.

Colonel Hull. But you understood it had been done before you came there?

Mr. Kileen. Surely.

Colonel Hull. Well, from the official information that was given to you that this was done and that was done and the other was done, how much remained uncompleted?

Mr. **Kileen**. Well, I would say in that case that the only thing that would be of any importance that would be left uncompleted was the transfers 277 after the actual vouchers went through. That is, journal entry transfers. That would make a switch possibly from construction to operation or operation to closing down, or some non-profit-bearing phase of the work.

Colonel **Hull**. How long would it take to do that work?

Mr. **Kileen**. Well, to do the work right and run down the journal entries, the basis for the journal entries, it would take quite some time. I could make an estimate, but it would only be an estimate.

Colonel **Hull**. Make an estimate, make your best estimate.

Mr. **Kileen**. I should say it would take about three months.

Colonel **Hull**. How many men?

Mr. **Kileen**. Oh, six or seven good men.

Colonel **Hull**. And of what value would that be, Mr. Kileen?

Mr. **Kileen**. It would eliminate any doubt as to distribution of cost between profit and nonprofit bearing divisions of the contract. Now, I have in mind one item in particular—stores. By stores I mean the inventory at closing. Nashville I have in mind in particular. There was an audit made of that store's inventory, and I think it was made by an accountant named "Marsh", who at the time was working with us on the engineering contract. The question came up whether we would accept that previous audit, or whether it would be necessary to verify those figures, and at one time Major Farr considered possibly sending somebody down there, I think, to check that inventory up. And I even think he went so far as to inquire about where the records were, and then the time got so short for us to get in a report that I don't think—in fact, I know no action was taken on that item.

278 Colonel **Hull**. Do you recall any other items?

Mr. **Kileen**. Well,of course, the commissary distribution would come under that journal entry feaure I mentioned before. There was a power proposition there, that caused considerable trouble on the windup too, that required almost knowledge of conditions at the plant. I went into it with what information I had on the ground, and I think, if I remember correctly, we reduced the power somewhat from that local information.

Colonel **Hull**. What do you mean by stores, Mr. Kileen? Do you mean commissary stores or supplies?

Mr. **Kileen**. No; the stores I had in mind, as I recall it, were general stores, what you call general stores in the warehouse.

Colonel **Hull**. Can you be more specific?

Mr. **Kileen**. Hardware and things of that sort. I have got a mental picture of this inventory, but I don't just remember what is on it. I think there is a copy of it here in Washington, though.

Colonel **Hull**. You were connected with the Philadelphia board for some time, were you not, before you went on this work?

Mr. **Kileen**. I was connected with the accounting branch of the Philadelphia district office.

Colonel **Hull**. And is there any real difference between the accounting work that you saw at the winding up and the other accounting work in the Philadelphia branch?

Mr. **Kileen**. Yes; this work here, of course, was different from the work 279 I had been on. The work I had been on had been cost-plus contracts, where we started in with a purchase order approved by the contracting officer, the local contracting officer, and carried it through to completion. But this was a little different end of it. And we also summarized on the cost-plus work.

Colonel **Hull**. Have you any questions?

Mr. **Anderson**. How much was in suspense when you took over these accounts, Mr. Kileen?

Mr. **Kileen**. It is very unfortunate that I have no way of answering that question. These forms that I mentioned during the early part of my statement, known as the control records, did not provide for recording the transfers between approved and suspended vouchers. And in numerous cases the space provided for approval or suspension of a voucher would show that it had been changed back and forth from one column to another so many times that there was hardly any paper left. It would be erased so many times, don't you know.

Mr. ANDERSON. Did you know anything about two items of freight charges amounting to about $29,000 claimed to have been due by the railroads, as overcharges?

Mr. KILEEN. No; I don't recall any such items.

Mr. ANDERSON. Did you know of any duplicate payments to the Cambria Iron Company?

Mr. KILEEN. No, sir.

Mr. ANDERSON. As an accountant did you see any substantial difference between the method of making up those summary sheets, as made up under Major Farr's order after December 1921, and the various summary sheets that were made prior to that time?

280 Mr. KILEEN. No; I do not. But I would like to qualify that statement, because the previous summaries, that is the form intended, provided for classification of the nature of the expense. And when an item is properly classified it places, it in a profit- or nonprofit-bearing group, which would eliminate any possible doubt as to the figuring of profit in the closing. But there is a question in my mind whether the summaries previously passed were made on that basis, with that intention.

Mr. ANDERSON. Well now, did you in your checking and auditing of these accounts observe any irregularities which were not cleared up?

Mr. KILEEN. Well, the only open items that I know of are the items that appear as suspense. That is, the only items that came under my observation that had not been approved now appear as suspense in this report previously mentioned.

Mr. ANDERSON. When did you discontinue your work on these accounts?

Mr. KILEEN. Well, active work was discontinued, I believe, on June the 30th. I was separated from the service on that date. And then I was later taken back on a temporary basis.

Mr. ANDERSON. Do you know how much balance was claimed to be unadjusted at that time?

Mr. KILEEN. No; but that shows in the reports.

Mr. ANDERSON. There was a report made at that time?

Mr. KILEEN. Yes, sir. That report ties up with the advances as shown in a special report made by a Mr. Keifhofer, I believe.

281 Mr. ANDERSON. That is all I want to ask.

Colonel HULL. That work that you spoke about doing and continuing six or seven men for about three months; would that work have to go clear back to its inception, or could it be tied on to where you stopped?

Mr. KILEEN. No; each one of those journal entries would have to be run down, absolutely run down, to know the facts.

Colonel HULL. But I mean, when that is done could the result of that be tied down to the work as you completed it, or would you have to go back?

Mr. KILEEN. Oh; you would not have any trouble tying that in with this report.

Colonel HULL. That is what I mean.

Mr. KILEEN. There wouldn't be any trouble with that.

Mr. ANDERSON. Well, that raises a question that I wanted to ask. It has been suggested here that the freight accounts or charges by the railroads had not been audited, or verified by auditing with the accounts of the Railroad Administration. Now, could that be done now, in your opinion, from the records available?

Mr. KILEEN. I believe it could.

Mr. ANDERSON. It has also been stated here that the audit was 90 percent complete as to the more important elements entering into operation and construction. Would it be possible, in your opinion, to segregate that portion which had not been audited and audit it at the present time?

Mr. KILEEN. That control record—the erasure, the transfer from suspended to approved, makes it almost impossible to say what percent was fully covered.

282 Mr. ANDERSON. Well, suppose there were certain elements of the accounting which had not been completely carried out; would it be possible for you to take up the record as it was and carry those to a conclusion, without having to go back over the whole thing?

Mr. KILEEN. Do you mean along the same lines that we were working when we stopped?

Mr. ANDERSON. Along the same lines that you were working when you stopped the audit; yes?

Mr. Kileen. Yes, sir. The reason why I asked that was because, of course, when I took it up we were working under certain decisions, and that made quite a difference.

Mr. Anderson. In your audit?

Mr. Kileen. Yes.

Mr. Anderson. You don't know how far the vouchers were checked back to ascertain actual delivery, the prices of material, because that was done under the closing officer, wasn't it?

Mr. Kileen. Yes; that was all done on the other side.

Mr. Anderson. Are there any aspects of this matter that you would suggest should be further audited in order to arrive at a final settlement as it was when you made your final report?

Mr. Kileen. With the decisions standings, the only thing that I could think of as an absolute 100-percent check-up that would bring in results would be in the operation end. As I stated before, the transfers from profit-bearing to nonprofit-bearing items, which would affect the profit allowed.

283 Mr. Anderson. What do you mean by the decisions standing? Do you mean the various decisions and rulings under which the audit was made?

Mr. Kileen. Yes. For instance, when I came there we were making no deductions, of course, for material shortages. That was one thing. Those vouchers all came to me approved. In fact, my work was all passed on these previous approvals. They came to me, and I merely recorded the transactions in accordance with these approvals—this rubber-stamp approval that came from Mr. Peebles' department.

Mr. Anderson. Well, how do you know that there were no deductions being made for materials short?

Mr. Kileen. Well, because that question came up, and we had out all of the vouchers at one time showing material deductions.

Mr. Anderson. What was done with those items of material deductions?

Mr. Kileen. I think in a few cases credits were located to cover them.

Mr. Anderson. The others were passed?

Mr. Kileen. The other ones were referred to Mr. Peebles, and as I recall it, passed under some decision which he had.

Mr. Anderson. Now you don't know what that decision was, or who rendered it?

Mr. Kileen. No; I really couldn't say which one it was. There were so many of them. And I don't know whether it was a written decision or not. The stamp on the voucher was the guide. I knew at the time, but I just cannot remember it.

Mr. Anderson. I cannot think of anything else, Colonel, that I wish to ask.

284 Mr. Carnduff. Just one question. Mr. Kileen, we have asked each of the accountants giving opinions here to give a brief résumé of their experience as accountants, and I would like to ask you the same question, namely, Are you a certified public accountant?

Mr. Kileen. No, sir.

Mr. Carnduff. Have you been a senior accountant?

Mr. Kileen. I was given that grade by civil service, that is all. Never served in public accounting.

Mr. Carnduff. Oh, you never served in public accounting?

Mr. Kileen. No, sir.

Mr. Carnduff. Would you give us very briefly your experience in accounting before entering the Government service?

Mr. Kileen. I attended the Utica Business College, and left there to accept a position in a wholesale jobbing and hardware concern, a clerical position. I was there about two years and a half. My next position was with the General Electric Company. And I held the positions of claim chaser, claim clerk, assistant to the head of the distribution department, and was later given charge of the distribution department, making a service of seven or eight years with the General Electric Company. I then made application to the Civil Service, and was assigned to the Ordnance Department in March 1918.

Mr. Carnduff. What was your rating, Mr. Kileen? What capacity, I mean?

Mr. Kileen. Senior accountant.

Mr. Carnduff. In the civil service?

Mr. Kileen. In the civil service.

285 Mr. CARNDUFF. Did you ever examine the books of the du Pont Engineering Company?

Mr. KILEEN. The general books?

Mr. CARNDUFF. Yes.

Mr. KILEEN. I have worked on the cash books to determine the cash transactions, the accounts-payable registers, and the cost records and journal entries.

Mr. CARNDUFF. In whose employ were you then?

Mr. KILEEN. In the United States Government.

Mr. CARNDUFF. For what purpose did you work on these books, Mr. Kileen?

Mr. KILEEN. The purpose of this audit, under Major Farr.

Mr. CARNDUFF. But you never made any general examination of the operating books of the du Pont Engineering Company?

Mr. KILEEN. No, sir; only for the purpose of this audit, under Major Farr.

Mr. CARNDUFF. Thank you very much.

Mr. KILEEN. Yes, sir. Now, gentlemen, may I return to Detroit?

Mr. CARNDUFF. I think that is all.

Mr. ANDERSON. Yes.

Mr. CARNDUFF. And we are very much obliged to you.

(Witness excused.)

Mr. CARNDUFF. I might say, Colonel, that I have not sent for Mr. Kileen, as I did not consider his evidence would much more than corroborate all of what Major Farr would tell us, and of course I didn't even know how he got here. 286

Mr. ANDERSON. Well, I wish to state on the record, General, that we had prepared for and requested the attendance of some half-dozen persons as witnesses from Nashville to testify at this hearing, who knew of the conditions and operations of the plant. Some of them, I think, came up.

Mr. CARNDUFF. They all came.

Mr. ANDERSON. They all came. And after talking with the head of the criminal department of the Department of Justice he advised me that he would prefer at the present stage of the investigation that this evidence be not taken on account of certain matters in connection with the Department investigations, and at his request the witnesses returned to Nashville. I think it is due the committee that that statement should be made, because their evidence was regarded as important for our information and also to the Department. Otherwise their coming here and going back would be unexplained. But he felt that at the present time the interests of the Government required that they should not testify until they had further carried their investigations on.

So, as I understand it, Major Carnduff and Mr. McLane, there is no one else you wish to have here at the present time?

Mr. CARNDUFF. The witnesses who have already testified, together with the witnesses who were brought from Nashville and returned at the suggestion of the Assistant Attorney General, constituted the evidence we desired to present to this committee. We have no other witnesses now.

287 Mr. ANDERSON. I would like to state on the record also that representatives of the du Pont Company have been in here ready to be called, if desired, and that at my suggestion, with the approval of the members of the committee, they were told that the matter would be adjourned over until we got this evidence, and that then we would invite them when we wished to call them.

It may be in connection with the matters under local investigation at Nashville, which do not involve the subjects of our general inquiry here, except in certain details, that the Government would want to see certain of these records and exhibits which are in the Frankfort Arsenal, I presume, or some of them may be here. In that event I suppose on application to you they could get the necessary orders?

General WILLIAMS. Yes, sir.

Mr. ANDERSON. Or to Colonel Hull?

General WILLIAMS. Either one.

Mr. ANDERSON. So, Mr. McLane, if there are any of those records that you wish to see, if you wish to advise us, or have the Department of Justice apply to either General Williams or Colonel Hull, why those records will be made immediately available.

Mr. McLANE. That will be very kind.

Mr. ANDERSON. Now, with that, unless there is something else that you gentlemen desire to suggest, I would suggest an adjournment of the committee without day, and we will take it up again on proper notice.

General WILLIAMS. I second it.

288 Mr. ANDERSON. The committee then stands adjourned without day, and on a further hearing you gentlemen will be notified in advance, if you wish to be heard, in order that we may complete our investigation.

(Thereupon, at 3:45 p. m., Friday, May 11, 1923, the hearing before the Subcommittee on Ordnance Transactions of the General War Transactions Board was adjourned without day.)

289 OLD HICKORY INVESTIGATION

WEDNESDAY, DECEMBER 5, 1923. 11:30 O'CLOCK A. M.

ROOM 3538 MUNITIONS BUILDING,
Washington, D. C.

Proceedings had and testimony taken before Subcommittee on Ordnance of the General War Transactions Board, composed of the following members:

Hon. Dwight F. Davis, Assistant Secretary of War, chairman; Maj. Gen. C. C. Williams, Chief of Ordnance; Henry W. Anderson, Esq., representing the Department of Justice.

Present: Col. J. A. Hull, executive officer of the War Transactions Board; Col. F. W. Coleman, of the Finance Department; Arthur Carnduff, Esq., special assistant to the Attorney General; James Cameron, Esq., Director of Audit of the Department of Justice; A. V. McLane, Esq., United States district attorney, Nashville, Tenn.; Maj. J. G. Booton, Ordnance Department, United States Army; H. G. Haskell, Esq., vice president and director of the du Pont Engineering Company and E. I. du Pont de Nemours & Company; W. S. Gregg, Esq., counsel for the du Pont Engineering Company and E. I. du Pont de Nemours & Company; W. A. Shafer, Esq., comptroller of the du Pont Engineering Company; H. H. Cochran, Esq., cost accountant du Pont Engineering Company; Olin Haubert, Esq., chief clerk, Government claims division, 290 E. I. du Pont de Nemours & Company; Maj. Richard Sylvester, assistant to vice president and managér of protection, E. I. du Pont de Nemours & Company.

Mr. ANDERSON. This is a hearing in the matter of the United States against the du Pont Engineering Company, involving the construction of the Old Hickory plant at Nashville, Tennessee. Gentlemen, in order to connect up the record, you will recall that on May the 10th, 1923, there was a hearing here before the Secretary of War, the Chief of Ordnance and myself in connection with certain matters growing out of this construction contract. The idea, as then expressed, was that the contract had never been settled between the Government and the du Pont Engineering Company, and a good many questions had been raised. There had been at least one or two partial or incomplete audits, and it was thought that we could probably greatly shorten the labor by having a hearing of the various persons who had participated in these audits and investigations, and see how far it was necessary, if at all, to make additional investigations or audits, and what facts could be developed.

At that time, under instructions of the Department of Justice, we heard the various representatives of the Government who had previously taken part in these investigations or audits, and assured the representatives of the du Pont Company that at a future time they would be given an opportunity to be heard thereon. The matter has been delayed by the unavoidable engagements 291 of parties concerned, and in the meantime I understand the officers of the Government handling this matter have furnished the du Pont Company with a memorandum of the principal points on which information was desired. And the representatives of the du Pont Company are here this morning to state any facts, as I understand it, bearing upon those points, it being, of course, without prejudice to any future position that the Government may take or they may take, this being merely a preliminary investigation with a view to saving time and shortening the work and decreasing the expense if possible.

That is my understanding of the situation. Am I correct, Mr. Gregg? Is that your view of it?

Mr. Gregg. I think so, Colonel; yes.

Mr. Anderson. Yes. Then, General, if you are ready I think we might hear the representatives of the du Pont Engineering Company in any order that they desire to present the facts.

Mr. Carnduff. Mr. Chairman, if there be no objections on the part of the Board, I would like to instruct the reporter to furnish the du Pont counsel a copy of these hearings.

Mr. Anderson. I should think that would be most proper, if agreeable to General Williams.

General Williams. That means the hearings of the last meeting?

Mr. Carnduff. No, General; the hearings today at which they participate.

General Williams. I move, Mr. President, that we furnish them a copy of the hearings of the last meeting, also, in addition to what is heard today.

292 Mr. Anderson. There is a question, General. I received instructions
from the Department of Justice at the former hearing, if you will recall, which put me in a rather embarrassing position. At the last minute I received instructions that the hearing should be private. And therefore, while personally I would have no objection whatever, I would like to consult with my superior officers on that question, because it was at their direction that it was to be private, and coming up as it did at the last minute, it put me in a somewhat awkward position with the du Pont interests. As I said, personally I have no objection, and I would be very glad to do so, but if it is perfectly agreeable I would rather consult with my superior officers, from whom I receive my instructions, with your permission.

General Williams. The reason I made the motion is because in the last hearings such serious charges were made about the du Pont Company, and I do not see how the du Pont Company can answer those charges unless they know what they are, and therefore it seems to me in fairness to all concerned, that the du Pont Company should have a copy of the hearings at the last meeting.

Mr. Anderson. Will you defer action on that until I can confer with the Department of Justice?

General Williams. Yes.

Mr. Anderson. I absolutely have no personal objection, and it was my intention, originally, that these hearings should be open, and that the du Pont Company should be present during all the hearings by its representatives.
It was my intention that that should be so, and until the last minute,
293 until I received instruction from my superior officers in the Department
of Justice, that was my intention. I am, of course, subject to those instructions, and I would rather consult them, although I agree with you personally that there is no reason, as far as I am concerned, why they should not have it.

Mr. Carnduff. We may then furnish a copy of the hearings today to the du Pont representatives?

Mr. Anderson. Undoubtedly, that is understood; that they will be supplied a copy of the hearings today, and I will take up the question as to whether or not there will be any question of their being supplied with a copy of the previous hearings.

All right, Mr. Gregg.

Mr. Gregg. If the Board please, I was furnished a couple of weeks ago by Mr. Carnduff with a list of items or questions concerning which they desired information. We have spent considerable time in getting up replies to these items of inquiry, and we have endeavored to make them as full and complete as we possibly could in the comparatively short time that we had to do it. I shall not take the time, unless the Board so desires, to read all of these items that are contained on the list, but will take them up in the order in which they appear on the list as submitted to me by Mr. Carnduff.

I have three copies of our reply, one for each member of the Board, and I have also given a copy to Mr. Carnduff, with the exception that Mr. Carnduff's
copy is not complete insofar as it does not contain a copy of the brief
294 with respect to the Mason & Hanger fee, which brief I filed with the
Secretary of War last November—November 1922. Mr. Carnduff, however, has a copy of that brief, and it is perfectly agreeable to him, as I understand it, to leave out that copy.

These inquiries contained on this list, with the exception of one or two points, have all been fully gone over heretofore with the auditors for the War Department. Not only gone over but gone over repeatedly. And as I go along I will point out the two or three items that have not been specifically brought up heretofore.

Now these inquiries are directed more particularly to the Old Hickory contract. However, some of the inquiries are rather broad, and in replying to some of the queries propounded it has been necessary to refer to all of the contracts that the du Pont Engineering Company had with the United States during the war.

As a preliminary I might here state that during the war the du Pont Engineering Company did no work whatever except in connection with the construction and operation of Government-owned plants, as that company was organized in the fall of 1917, by arrangement with the Ordnance Department, so that in the construction and operation of Government-owned plants all the transactions in connection with that work might be kept separate and apart from the records of E. I. du Pont de Nemours & Company.

The du Pont Engineering Company during the war had five contracts with the United States.

295 The first contract entered into between the company and the United States was the contract for the construction and operation of a shell-loading plant at Penniman, Virginia.

The second contract was the one for the construction and operation of the Old Hickory powder plant.

The next two contracts were for the operation—not the construction, but for the operation of two bag loading plants for the Government, one being located at Seven Pines, Virginia, and the other at Tullytown, Pennsylvania.

In the fall of 1918, as I recall it was in September, a fifth contract was entered into between the du Point Engineering Company and the United States for the construction and operation of a TNT plant at Ives, Wisconsin.

Taking up the items of inquiry, the first one is this, under the heading:

"IN THE MATTER OF GENERAL INQUIRY

"Question 1. Has du Pont Engineering Company a complete and accurate system of accounting of (*a*) construction project; (*b*) operation. Is such now available for examination by the United States?

"Answer. (*a*) *Construction project.*—The du Pont Engineering Company has a complete and accurate record of its expenditures in connection with all construction projects. The system for accumulated expenditures on the general ledger relating to construction was in accordance with plans mutually discussed between representatives of the contractor and the contracting officer, and was adopted with the approval of the contracting officer. The card of accounts at-
tached hereto, exhibit 2, adopted in connection with the Old Hickory con-
296 struction accounting, will illustrate the subdivision of construction cost
used in the contractor's ledgers. An intricate system for keeping separately the cost of units was not adopted, inasmuch as the Government did not consider such record necessary, and desired to save the expense of the additional accountants which would have been required to keep such records. The postings on the general ledgers are supported by properly approved vouchers."

Now, if you will turn to exhibit 2 you will find there the so-called "card of accounts" which shows how the varnous items of expense were carried on our books.

Mr. ANDERSON. Mr. Gregg, when you spoke of not keeping separate accounts for the different units, you meant the different units in any particular plant. The accounts show the charges and cost of each separate plant, but not each particular unit or building in that plant, is that correct?

Mr. GREGG. That is it precisely.

Mr. ANDERSON. All right.

General WILLIAMS. Does unit there mean individual buildings, or unit of 100,000 pounds capacity?

Mr. GREGG. I was not quite sure from the question presented to us just what was meant by that. Probably Mr. Cameron can explain.

Mr. CAMERON. It was by some distinguishing unit.

General WILLIAMS. That is of the five or six thousand buildings down there you considered each one of them a unit?

Mr. CAMERON. No, sir; not quite that.

General WILLIAMS. Then what do you mean by "unit"?

297 Mr. CAMERON. I did not know that there were fix or six thousand buildings there. I do not know yet if there are. But I meant that a unit of measure may change in any project. What they may have distinguished as a particular proportion of this plant, or a particular construction of this plant by whatever unit they follow. That was a mere inquiry to find out what the unit of their cost was pursuant to their books. It was answered to me pro tempore to my satisfaction; it is being answered to my satisfaction; to get at the manner in which the du Pont Company itself carried their costs of construction.

Mr. GREGG. Does that answer your question, General?

General WILLIAMS. Yes.

Mr. GREGG (continuing reading answer to question 1):

"(*b*) *Operation.*—The operating ledgers were handled in a somewhat similar manner. The controling account for operating cost, however, was not subdivided as in the case of the construction ledgers. Each month's operating cost was posted in total to the controllng account. The detail costs were kept by a separate division which prepared monthly cost sheets showing the total and unit costs of manufactured products, and also the total and unit cost of semifinished products in the several stages of manufacture. These cost sheets were prepared monthly throughout the duration of field operations.

"The ledgers and books of the contractor and all supplementary records pertaining thereto, including the accounts payable vouchers, except such vouchers as were not returned by the War Department accountants, are filed in the Wilmington office of the contractor."

298 Mr. CARNDUFF. Pardon me. Would you answer the last question of question 1: "Is such now available for examination by the United States?"

Mr. GREGG. Well, I thought we had that in there.

Mr. SHAFER. I have it in my original notes there; they are available.

Mr. GREGG. Oh, yes; they are available. Yes; there is no question about them being available, Mr. Carnduff.

Mr. CARNDUFF. Thank you.

Mr. GREGG (continuing reading):

"Question 2. What are contractor's views on a joint audit of (*a*) Mason & Hanger expenditures? (*b*) Operating expenses as determining costs in relation to manufacturing bonus claimed?

"Answer. (*a*) Mason & Hanger expenditures.—All invoices paid to Mason & Hanger by the contractor, all Mason & Hanger pay rolls and all shop orders for materials drawn from stocks of the contractor by Mason & Hanger, were carefully audited at the plant by representatives of the contractor and by the War Department auditing staff. These bills and vouchers were subjected to a second audit by the War Department's contracting officer in Wilmington, and were approved by him. During the reaudit, begun in October 1919, by the Philadelphia district claims board, Mason & Hanger expenditures were again subjected to a thorough audit.

"(*b*) *Operating expenses as determining costs in relation to manufacturing bonus claimed.*—Operating costs and expenditures in connection with all of the operating projects undertaken by the contractor were audited in detail throughout the progress of field operations, both in the field 299 and at Wilmington, and were later reaudited by the auditors of the War Department. Mr. W. G. Kileen, supervising accountant for the War Department, prepared statements showing the result of his audit in checking contractor's operating costs, compensation, and savings, and these statements, together with other data relating to the audit, were delivered by Mr. Kileen to the War Department.

"It would therefore appear to be a waste of time and money to make any further audit of the Mason & Hanger account, in view of the fact that several hundred thousands of dollars have already been expended at the expense of the Government during the period of construction and operation, and during the period of the reaudit which continued until the end of May 1922. The contractor cannot acquiesce in the expenditure of any more public funds in a further reaudit of either the Mason & Hanger expenditures or expenditures by the contractor. If the Government expends any more public funds in connection with a further reaudit of the Mason & Hanger expenditures or of the contractor's expenditures, the Government must assume the sole responsibility for pursuing such course.

"Question 3. Has contractor ever rendered a complete statement of account to United States? May we have copy of its statement?

"Answer. Throughout the progress of field operations, the contractor's books, trial balance sheets, accounts receivable, and accounts payable records, etc., were checked and inspected by representatives of the contracting officer
300 of the War Department, condensed statements were issued monthly, and
cash statements daily, copies of which were delivered to the contracting officer. Following cessation of field operations, the contracting officer was furnished by the contractor with a condensed financial statement monthly for approximately one year. The contractor then discontinued sending in such statement at the request of the contracting officer. Subsequently such statements were renewed upon the request of the contracting officer whenever they were requested by the contracting officer. Attached hereto, marked 'Exhibit 3', is a condensed financial statement showing the status of the contractor's accounts with the United States as of October 31, 1923. This statement represents the actual condition of the contractor's books as of that date, and is supported by the contractor's books of account and vouchers.

"Question 4."

Mr. CARNDUFF. Pardon me a moment, Mr. Gregg. I would like to amplify that. Was that previously furnished to the Government, or is this the first time that has been?

Mr. SHAFER. This is not an exactly similar statement. In other words, there was a statement which showed the amount due by the United States, showed the total debits and total credits on the contract. It is not exactly the same.

Mr. CARNDUFF. The last recap that I have found is the May 31, 1922 statement. This then is an additional statement?

Mr. SHAFER. This statement was prepared especially because I went into more detail in this statement than in some of the others.

301 Mr. CARNDUFF. It was prepared for this hearing?

Mr. SHAFER. Yes; for this hearing.

Mr. GREGG (continuing reading):

"Question 4. Will contractor furnish a summary of items disallowed by United States, and accepted by du Pont? This should include a summary of disallowances already vouchered upon which there should be a refund or credit due the United States.

"Answer. Disallowances by the War Department auditors during the progress of the audit and accepted conditionally by the contractor are as follows:

Old Hickory construction	$9,039.92
Old Hickory operation	66,096.94
Penniman construction	13,747.66
Penniman operation	7,735.27
Tullytown	[1] 1,471.29
Seven Pines	7,283.76
Ives	973.61
Total	103,405.87"

I will ask Mr. Shafer if he will be good enough to explain the item of $1,471.29 under Tullytown, as that appears in red?

Mr. SHAFER. The reason that item on Tullytown was a credit was due to the fact that in some of the original distributions that were made during the progress of the work, Tullytown was charged with too much, in other words, the disallowances were too great; in other words, disallowances applicable to other contracts got into Tullytown, and consequently when a readjustment
302 came about it was found that Tullytown, instead of having a disallow-
ance, had something coming to it, which is really offset by charges on other contracts, so it made that disallowance appear as a credit instead of a debit. It is merely an accounting cross entry.

Mr. GREGG (continuing reading):

"A detail of these suspensions, with voucher reference, can be furnished if desired.

"By the use of the word 'conditionally'"—in other words, that the contractor accepted these disallowances conditionally—"is meant that the contractor accepted the above disallowance for the purpose of facilitating settlement and with the understanding with the War Department representatives that if settlement of the contracts was not made, such disallowances would be charged to the contracts.

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[1] In red.

"Question 5. What amount does contractor at this time admit is due United States?

Answer. The amount due the United States as of October 31, 1923, as shown by the books of the contractor was $958,602.07. So long as the contracts remain unsettled", this account is subject to reduction on account of any expenditures which may be necessary in connection with the contracts. This amount is kept in separate bank accounts and all bank interests accruing thereon is credited periodically to the United States. The contractor has frequently urged the Government during the past 2 or 3 years to make final settlement of the contracts so that any balance remaining in the hands of the contractor at the time of such settlement could be returned to the United States.

303 "Question 6. Will contractor furnish a statement of operations with such an analysis by way of schedules to show generally—(1) the description of charges entering into operations from which the basis for the bonus for saving was determined, and (2) profits on operations from inception of operating period to the end of operations?

"Answer. Statements as described above were prepared by Mr. W. G. Kileen, supervising accountant for the War Department, and were delivered by him to the War Department."

Mr. CARNDUFF. I would like to ask you there, Mr. Gregg: Is the statement furnished by Mr. Kileen, which we have, your statement now?

Mr. GREGG. I will let Mr. Shafer answer that, because it is an accounting matter.

Mr. CARNDUFF. I have the statement here.

Mr. SHAFER. I take it that you mean our Exhibit 4. Our Exhibit 4 is cost sheets to date.

Mr. CARNDUFF. Well, is Exhibit 4 the same as the Kileen exhibit of May 31?

Mr. SHAFER. It is similar to his exhibit. I think it is exactly the same. They were made up jointly.

Mr. CARNDUFF. It is identical?

Mr. SHAFER. Yes.

Mr. CARNDUFF. Thank you. That is what I want to get. We have had that, you see.

304 Mr. SHAFER. My recollection is that this was a joint statement made up by him and ourselves. I would like to explain about the figures indicating the profits, that there was a difference in the figures. There was a difference in the figures between his and ours.

Mr. CARNDUFF. There was a difference?

Mr. SHAFER. Yes; there was a difference in the figures indicating the profits of $55,892.28.

Mr. GREGG (continuing reading):

"(1) *The description of charges entering into operations from which the basis for the bonus for saving was determined.*—Exhibit 4 hereto is a complete to date cost sheet dated as of May 31, 1922, which was checked and approved by War Department auditors, and a sumary of the charges, exhibit 5, on which 'saving profit' was based. In this connection Mr. Kileen computed a profit of $55,892.28 less than the profit calculated by the contractor, which amount was suspended by the War Department auditors, but inasmuch as it is the contractor's view that the profits as indicated by exhibit 5 hereto are correct, this difference is still in dispute and has not been refunded to the contract.

"(2) *Profits on operations from inception of operating period to the end of operations.*—Exhibit 5 hereto contains the answer to this question relating to the Old Hickory contract. In this connection statements of costs and profits prepared by Mr. Kileen, supervising accountant of the War Department, were delivered by him to the War Department.

"Question 7."

305 Mr. CARNDUFF. Just a moment, Mr. Gregg. I would like to ask again the same question, if exhibit 5 is identical with Kileen's exhibit, or whether it is a new exhibit?

Mr. GREGG. I will let Mr. Shafer answer Mr. Carnduff's question if he will.

Mr. SHAFER. It is identical with Kileen's exhibit, with the exception of the fact that the profits were shown by Kileen for a less amount than the profits shown on the attached statement.

Mr. CARNDUFF. $55,000?

Mr. SHAFER. $55,892.28.

General WILLIAMS. Mr. Chairman, I would like to ask why, in view of the fact that we are establishing the identity of all of these things, it is necessary that we should have a special report on them? Apparently all this information was in the hands of these gentlemen, and why did they not make use of it?

Mr. CARNDUFF. We had these exhibits several months ago, General, but we had no proof or no knowledge that the contractor acquiesced in them or agreed with them.

General WILLIAMS. Do not the records of the audits show whether or not they acquiesced? Have you examined the audit to see whether or not they did acquiesce?

Mr. CARNDUFF. They show a difference in numerous instances.

General WILLIAMS. Why could you not have asked the contractor whether or not he did? Why do you want to have a special meeting to bring that all out? You could have asked that question of the contractor yourself, could you not?

306 Mr. CARNDUFF. I did ask him that in the questionnaire, and he is answering it now. This is only one detail of the special meeting. We endeavored to get as much as we could into this survey in the shortest time possible. It develops now that we are getting exhibits we never saw before.

General WILLIAMS. It is likewise developing, to my mind, that these gentlemen who are handling the case have made no proper use of the information which has been available to them for six months since the very time they started the case. And I cannot see why our time should be wasted doing this kind of thing when they might have gone ahead in the meantime and informed themselves about it.

Mr. ANDERSON. General, I think I should state that Mr. Carnduff prepared some months ago a list of these questions which he desired to submit to Mr. Gregg, and I held them up because I wanted to examine them personally and go over the situation a little before they were submitted. Now if you feel that it is unnecessary to go through this detail in this hearing, it is quite agreeable to me, if it is agreeable to the du Pont Company representatives, and I am sure it would be agreeable to everybody concerned, to accept this answer as a response to these questions, and make a study of this answer, and then if they wish to have a further hearing before this Board, to give them that hearing. Perhaps we could save time by doing it, except that these gentlemen have come down here, and I wish to give them full opportunity to be heard. I suggested that they be given full opportunity to answer any of these questions as they might see fit. That is my view of it.

307 General WILLIAMS. Well, the thought in my mind goes back of your statement. And it has been in my mind all along. And that is that the War Department has acted on this contract. It has had an audit made. And it seems to me that these gentlemen should thoroughly have examined that audit before embarking on a thing like this. That is the thought in my mind.

Mr. ANDERSON. My understanding is that they have thoroughly examined that audit, and there are some points which are not clear to them in the audit, and it is for the purpose of clearing that up and ascertaining whether additional audit was required that these hearings were suggested by me.

I do not want to go into the expense of an elaborate investigation and reaudit of these items, if we can get the situation explained in a preliminary and cursory hearing of this character. I do not think either side ought to be put to that expense, if it can be avoided. Now, I am perfectly willing, so far as I am concerned, and I am sure that the gentlemen handling this matter are willing, to greatly shorten this hearing—in fact, I think it might be materially shortened by simply taking the answer of the du Pont Company and making a study of it; and suggesting, if Mr. Gregg wishes to add anything in a general way to what has been said, let him add it now, and then take all of this data and study it and see if there are any further questions that are to be developed and placed before us for our determination as to whether or not this matter requires further audit or investigation. Now, that would save us a great deal of time of hearing this matter.

308 But, on the other hand, I gave Mr. Gregg my assurance that he would have a full opportunity to be heard before this Board, and I want him to have a feeling that he has had a full opportunity to be heard; and if he prefers to go over it and explain it as he goes on, why, I am perfectly willing to hear it. It will save time for us to make the study privately, because these answers that are given here seem to be quite complete; and if there are any

additional facts needed, Mr. Gregg is here quite frequently, and the representatives of the Department who are investigating the matter could confer with him and get those additional facts without going through the formality of a hearing here, for our consideration, if that is desired. But I prefer personally to be guided in that matter by the wishes of the du Pont Company. I want to give them the fullest opportunity to discuss any phase of it before you gentlemen, as well as myself, because I am not doing any work on it myself; I am keeping an open mind on the whole situation.

Mr. Gregg. I really had two thoughts in mind in reading the questions and reading the answers as I went along: One was, as I expressed a while ago, I did not have enough copies to go around to everybody; and, in the second place, I thought someone might desire to ask some additional questions or desire some light in connection with our answers. I want to expedite the hearing as much as I possibly can.

Mr. Carnduff. There is one more question, Colonel, on that subject, and I would like very much to have that question read and answered—the last one under the general questions, as it will answer General Williams.

309 Mr. Anderson. What is the question?

Mr. Carnduff. No. 7. It is the last one there.

Mr. Gregg. Well, question 7 is this [reading]:

"Question 7. Will contractor furnish a statement of costs of construction and equipment with such an analysis by way of schedules to show the costs by respective units of the whole?

"Answer. As explained in answer to question 1, contractor is unable to furnish a statement of costs by units, but a statement, Exhibit 6, is hereto attached, showing cost of construction as subdivided on the contractor's ledgers for each contract."

Mr. Cameron. Now, I would like to explain to General Williams and for the purpose of the record: I actuated that question. Charges were made, if you will recall—I don't know whether they got in the record, but I know I heard them—"Oh, the du Ponts made fifty million dollars off of this project." Well, I wanted all the analyses of what the moneys were paid for that I could possibly get. Now, that charge did not mean anything in the world; anyone coming up to me and saying, "The du Ponts made fifty million dollars off of this contract." The only way to find out what they made out of it was to find what the cost of construction was. Having in mind 83-odd million dollars being spent for the construction of the plant, having in mind further mere subdivisions of labor, material, and then possibly divided into three or four subdivisions, one could not always get out of that information what he might want to get. I said that the answer was satisfactory to me in the interim.
310 It is satisfactory to me personally in the interim, because I am not in
position, on any charges, with information sufficient to proceed to investigate such charges of construction.

General Williams. Well, isn't that record there of the last meeting full of charges?

Mr. Cameron. I beg your pardon?

General Williams. I say, isn't that record of the last meeting that we have here full of charges?

Mr. Cameron. Yes, sir.

General Williams. Couldn't you go ahead and investigate those charges?

Mr. Cameron. I can if I am directed, General.

General Williams. Well, they have been investigated once by authorized agents of the Government, and been passed on, and why cannot you investigate the same records that the agents did before?

Mr. Cameron. No reason in the world, General, why I cannot do it at any time that I am directed to do it.

Mr. Anderson. An investigation of the same record would require a very expensive audit. What I have you been trying to do is to save time and save expense by applying my experience in dealing with questions of this kind, which is not large, perhaps, but which is rather varied. that by getting around a table you can very often explain more in an hour than you can learn by investigating for 3 weeks, and what I have been trying to do was to get around the table and get these things cleared up by people who knew, and not make it necessary to have independent auditors approach the matter without any
311 primary knowledge, and go into an elaborate audit which will cost the
Government a very great amount of money, and which the Department of Justice hasn't the money to make.

General WILLIAMS. We got around the table once before, with certain exceptions, and listened to a lot of specific things that were charged in the execution of this contract. Now the thing that I cannot understand is why those specific things cannot be investigated without a general audit of the contract, without this large expenditure of money which we all know would be necessary if you are going to go into a general audit of the contract. Why cannot a specific charge be investigated—take for instance the question of railroad freight rates, which Mr. McLane, I believe, brought out—why cannot that specific thing be investigated and determined whether or not that charge is correct?

Mr. ANDERSON. Isn't that covered by this question?

Mr. CARNDUFF. The next questions, General, are in the matter of specific items.

General WILLIAMS. Well, take a lot of the other specific things that were charged in the last hearing. Why cannot those be individually investigated to see whether or not they were correct?

Mr. CARNDUFF. Colonel Anderson thought it best to ask the du Pont representatives frankly as to those specific questions, and hear their views on it, and the remainder of this questionnaire is directed to those specific items, the freight, the railroads, the cotton, and the Mason & Hanger contract. Those specific items were asked the du Ponts.

General WILLIAMS. These questions here are very largely general in their nature, it seems to me, mostly.

312 Mr. ANDERSON. But they are the preliminary questions which are the foundations for the specific questions which follow.

General WILLIAMS. But the specific questions have already been raised, and they are now in the record of the last meeting.

Mr. ANDERSON. And they are in this questionnaire. In other words, they are in this report of the du Pont Company, but we have not been able to go over the whole report. Now I am as loathe as anybody to sit here and go over those details unless it is necessary to the end of expeditious handling of this matter, and justice to the du Pont Company.

There were a lot of specific things charged here, as you say, and I asked these gentlemen to prepare a series of questions which dealt with those specific things, as well as any other points which occurred to them, and submit them to Mr. Gregg, and Mr. Gregg and these gentlemen spent a day together in discussing and formulating these questions so that he could answer them, and he came here today prepared to answer them. If they require further investigation we will take up the detail of investigation afterwards.

Now I would have carried on this investigation outside except for the fact that I had promised that the du Pont Company would have an opportunity to explain anything that came up in this case before these three gentlemen here, including myself, and I want to carry out that promise, and I want to give them a chance to explain it in their own way as far as they are concerned, and give us the answers, and the answers may remove a lot of misapprehension, and so forth, when they get through.

313 Then if there are any other points they want to investigate, Mr. Gregg and Mr. Carnduff can discuss them together, and clear them up so the record will be complete.

But if it is desired not to sit here and hear that data given, it is perfectly agreeable to me, if it is agreeable to the representatives of the du Pont Company, that Mr. Carnduff and Mr. McLane and Mr. Gregg and Mr. Shafer and these other gentlemen shall get around a table and discuss it among themselves, and make up their report on it, and not bother us here at all. But I want to give them that preference. I am willing to sit here and hear them, as a matter of justice to them, as well as expeditious disposal of the matter, if they desire it. In other words, I have carried out my promise to them that they could have a hearing onn this matter if I could get it. Now it is entirely for the Board to determine whether they want to have it now, or rather have these gentlemen get together and eliminate all the questions they can, and then hear the balance.

The CHAIRMAN (Assistant Secretary Davis). How do the du Pont people feel about that? Would they rather go through with it?

Mr. GREGG. Well, Mr. Chairman, I do not want to take up the time of the Board, but there have been so many charges and countercharges made against the du Pont Company in connection with this work, charges that the du Pont Company feels were absolutely unwarranted and unjustifiable, and the only thing that we are doing here is to submit ourselves to inquiry from the Board as to any light that the Board may desire in connection with this work.

314 As I stated at the beginning this morning, all of these things have been gone over, and gone over repeatedly by Government representatives during the reaudit which was begun in the fall of 1919, and which was continued by the War Department until the end of May 1922, involving the expenditure of hundreds of thousands of dollars. As I said, there are one or two minor points here that, as I recall it, were not specifically brought up heretofore.

But what I do want the Board to understand is that the du Pont Company has nothing to cover up in connection with this work. All of our records are open to anyone who wants to examine them. So far as we are concerned we are proud of the work that we did for the Government. We did it in the best way that we possibly could under the circumstances that existed in 1918, and we have no excuses to offer. But I do not want anyone to feel that there is anything in connection with the contracts between the du Pont Engineering Company and the United States that is not open to any Government representative who wants to inquire into them. They have been inquired into; vouchers have been handled, until some of them are practically worn out. Not handled and gone over once, by Government auditors, but gone over how many times, Mr. Shafer?

Mr. Shafer. I would hate to say. I couldn't tell you. I know that there are some of them that I have had that are pretty badly worn out.

Mr. Gregg. Yes. I am perfectly willing to abide by any course that the Board wishes to pursue, and I do not want to take up the time of the Board and more than is absolutely necessary, but I do want to put this one

315 point across, and that is, that everything that we did for the Government was open and aboveboard, and there is nothing to cover up, nothing to hide, and we are perfectly willing that anyone should ask us any question that they may have in their mind about the work. And we will answer it to the best of our ability.

Mr. Anderson. Mr. Gregg, would it be equally agreeable to the du Pont Company, with that statement from you, which is certainly very broad and comprehensive, to adjourn this hearing to our office, for instance, and you take the matter up with Messrs. Carnduff and the gentlemen you have been discussing it with from time to time, and who went to Wilmington to go over the matter with you and other officers, and run over these additional questions and see if there is any additional data that they want that you have not given in this answer, and with your position thus fully upon the record of this case, see if the details cannot be all worked out without these officers having to sit here to hear this discussion and these detailed questions? If that would be quite agreeable to the du Pont Company, in my view it would probably facilitate the arriving at a conclusion, and you having now put your position on the record as clearly as you have, it seems to me that the larger purpose of asking to come here for hearing has been to a great extent accomplished. And then after they have completed their investigation of all these details, if there were any additional matters upon which you wished to be heard, or which they would wish to have the Board hear and put upon the record, we could have a special sitting for that purpose.

316 Would that be quite agreeable to the du Pont Company, or would you rather go ahead now as you are?

General Williams. Inasmuch as my question apparently has brought about this situation, I would like to say that I have no objection to giving all of the time that is necessary to the du Pont Company that it wants to present anything it has to say on this. The object of my question is that I wondered in my own mind what the Governments prosecutors of the case have done with the vast amount of information which they already have available to them, and I was wondering why it was necessary for them to present these questions, and why they could not determine these things for themselves beforehand.

Mr. Anderson. Well, I can answer that, General, probably better than these gentlemen. They have been working on the information which they have and on the data which they have, and undertook to summarize, in the light of the record of the former hearing, and charges there made, without expressing any opinion thereon—at my request they undertook to summarize a series of questions which would bring forth a complete answer to all of these propositions that have been put before this Board.

If at the former meeting we had been in a position—which I regretted we were not—to have an open discussion of the whole thing, we probably could have avoided this, but I did think then, and I think now, that in addition to giving to the representatives of the Department of Justice, who have been charged with the duty of investigating this case, for its final conclusion,
317 answers to these questions, the du Pont Company were entitled to come
before this Board, consisting of the Assistant Secretary of War, yourself, and myself, and make further statements, make any statements on the subject they wished, their attention having been directed to these specific questions. I think that is due the du Pont Company. And it was for that reason that I have come here today, at some inconvenience, to hear it. I think that we want to treat them with absolute fairness, and that has been my purpose throughout, and it is entirely in their hands, so far as I am concerned, whether they go ahead with a detailed discussion here, or complete the discussion with these gentlemen, with the general statement before us which is made, and then we are in the position to call for additional information later.

Mr. Gregg. How would it do for me to run through the remainder of our answers to your questions, and perhaps in doing so today it may occur to some one of the members of the Board that he desires some additional information, and if we can get that of record, why, then we can go ahead and get it up for you.

Mr. Anderson. I agree with you.

Mr. Gregg. I want to get through today myself. I do not want it to run over tomorrow unless it is absolutely necessary.

Mr. Anderson. Is that agreeable to you, Mr. Chairman?

The Chairman (Assistant Secretary Davis). Yes.

Mr. Gregg. The next heading is "In the Matter of Specific Items of Inquiry."

318 1. "Mason & Hanger Transaction.

"Question. 1. What were du Pont's dealings with Mason & Hanger previous to this contract?"

I might explain that that question relates to a subcontract that the du Pont Engineering Company made with the Mason & Hanger Company for construction work at the Old Hickory powder plant, and I will discuss it a little farther on. [Continuing reading:]

"Answer. The only dealings between the du Pont Company and Mason & Hanger previous to the subcontracts at Old Hickory consisted in the purchase by Mason & Hanger Company of explosives from E. I. du Pont de Nemours & Company, just the same as the du Pont Company sold explosives to other contractors throughout the country.

"Question 2. Who negotiated contract between du Pont and Mason & Hanger?

"Answer. The contracts were negotiated, on the part of the du Pont Engineering Company, by H. M. Pierce, then chief engineer of E. I. du Pont de Nemours & Company, now president of du Pont Engineering Company, and by John L. Pratt, then special assistant to Chief Engineer H. M. Pierce, and now vice president and director of General Motors Corporation; and on the part of the Mason & Hanger Company by Silas Mason and H. B. Hanger.

"Question 3. Have du Ponts any stock in Mason & Hanger?

"Answer. Neither E. I. du Pont de Nemours & Company nor du Pont Engineering Company, nor any of their subsidiaries, nor any of their
319 officers, has any stock or other financial interest in Mason & Hanger
Company.

"Question 4. Who does own majority of Mason & Hanger stock?

"Answer. After this question was propounded, we have been informed that over 90 percent of the stock of the Mason & Hanger Company is owned jointly by Silas Mason, and H. B. Hanger and John C. Watts.

"Question 5. Explain circumstances of concern now rated at $400,000 to $500,000 capital, with class B credit rating in a town of 5,662 population receiving a contract totaling $21,511,175.80 on which they were paid a fee of $1,075,558.79? (R. G. Dun 1923 listing.) ($1,075,558.79, $250,000, $825,558.79.)

"Answer. The contractor's answer and position with respect to this matter is fully set forth in a brief filed by the contractor with the Secretary of War on November 22, 1922, which was referred by the Secretary of War with other papers to the Attorney General in December 1922 with request for opinion.

The reasons for making the subcontract with the Mason & Hanger Company, and the fee contracted to be paid thereunder, are stated in the brief above referred to, a copy of which is herewith submitted, marked 'Exhibit 7'."

General Williams. May I ask, Mr. Chairman, why a question like that was submitted when the answer was in the hands of the Attorney General?

Mr. Anderson. I do not know.

Mr. Carnduff. I can answer that. There is a dispute as to the amount of fee that should be paid the Mason & Hanger Company. The amount in dispute is the $825,000 referred to at the end of the question. A brief was
320 submitted by Mr. Gregg, which was in our hands. Simply his brief
on that question. We endeavored to get any further information we could at this time when we were questioning him. One of the valuable points he has brought out to our satisfaction today is that there is no stock relationship between the two companies. He has gone on record on that point.

Mr. Anderson. Well, I am very glad to get that information, because it has been stated to me a number of times that the Mason & Hanger Company is a subsidiary of the du Ponts.

Mr. Carnduff. Charges of that character were made, and we have had the question answered.

Mr. Anderson. It has been stated to me a dozen times, and I am very glad indeed to get that analysis of the situation. When I say it has been stated to me, I do not mean it has been stated to me by my assistants. I mean it has been stated to me by outsiders.

General Williams. The thing I can not understand is why when that paper was in the hands of the Attorney General the information was not immediately obtained. It seems to me to be considered as very pertinent. It was available, I take it, Mr. Gregg, at any time?

Mr. Gregg. Yes, indeed.

I want to add here that this matter with respect to the Mason & Hanger fee was sent to the Attorney General for opinion at my request. Mr. Wainwright, who was the Assistant Secretary of War at that time, made a disallowance of a little over $179,000, and in my judgment his decision was a purely arbitrary one, not based on the facts, the contracts, nor the law. And Mr. Haskell and myself came to Washington and saw Mr. Weeks and
321 asked him if he would not be good enough to have it sent over to the
Attorney General for an opinion, and it was sent over there in December of 1922.

General Williams. A year ago.

Mr. Gregg. A year ago.

Mr. Carnduff. Well, the Attorney General rendered an opinion on it several months ago.

Mr. Gregg. I never saw it. Was it sent to the War Department?

Mr. Carnduff. I cannot say as to that. But it went up from the advisory council about eight or nine months ago.

Mr. Gregg. Do you know whether or not it has been received, General Williams?

General Williams. I have not heard about it. Do you know, Booton?

Major Booton. There was a partial opinion received, that Mr. Wainwright was entirely wrong in his construction of the contract, but referring to other matters which the Attorney General desired further information on, and in the reply to that letter the Secretary of War supplied, as far as he could, a reference to the further information desired, and asked that a final opinion be rendered.

Mr. Gregg. Well, now, is it the final opinion, Mr. Carnduff, that you refer to, or is it this letter?

Mr. Carnduff. No; I refer to the answer of the Advisory Council of the War Transactions Board to the Secretary of War.

Mr. Anderson. I know nothing about that. It has never been before me at all.

Major Booton. The final opinion was particularly requested as this
322 was the only legal question outstanding in the War Department, which
the War Department did not feel competent to answer, and the answer to that question would put the Secretary of War in a position to finally settle the contract.

Mr. Gregg (continuing reading):

"Question 6. What are the intercorporate relations of Du Pont and Mason & Hanger?

"Answer. This question is answered by the replies to questions 1 and 3 above, under heading 'In the Matter of Specific Item of Inquiry', and no other corporate relations exist."

That answer was to the effect that the only relations that have ever existed between the du Pont Company and the Mason & Hanger Company is that Mason & Hanger purchased explosives from the du Pont Company the same as other contractors. [Continuing reading:]

"Question 7. Was the du Pont official who negotiated the Mason & Hanger contract aware of the maximum fee of $250,000 in War Department regulations? Is it not a fact that Mason & Hanger had other Government contracts with regulation scale of fees?

"Answer. The du Pont officials who negotiated the Mason & Hanger contracts were not aware of a maximum fee of $250,000, fixed by the War Department regulations to be paid to subcontractors, as they did not then have any information or knowledge of a War Department regulation or regulations fixing a maximum fee of $250,000 to subcontractors, nor has the contractor ever been furnished with any such regulation or regulations, 323 nor was the contractor ever instructed by any representative of the Government to limit the fees to be paid to subcontractors, nor was the contractor confined to any such limit under its contracts with the United States.

"A copy of the agency contract, dated January 29, 1918, between the du Pont Engineering Company and the United States for the construction and operation of the Old Hickory plant; a copy of the contract of March 23, 1918, between du Pont Engineering Company and the United States, which canceled and superseded the contract aforesaid of January 29, 1918; a copy of the contract of February 6, 1918, between du Pont Engineering Company and the Mason & Hanger Company, and a copy of the contract of March 23, 1918, between the du Pont Engineering Company and the Mason & Hanger Company, which canceled and superseded the contract aforesaid of February 6, 1918, are attached to and made a part of the brief filed by the du Pont Engineering Company with the Secretary of War on November 22, 1922, which is hereto attached, marked 'Exhibit 7.'"

Mr. Gregg. In that connection I would like to make this explanation. The du Pont Engineering Company first entered into a contract with the Government for the construction and operation of the Old Hickory smokeless powder plant or January 29, 1918. Mr. D. C. Jackling, then being a special representative of the Secretary of War in charge of the construction of Government smokeless powder plants. That contract was an agency contract; in other words, the du Pont Engineering Company, under that contract, acted as an agent for the United States. The plant was to have a daily capacity of 500,000 pounds of smokeless powder. And it was to 324 consist of five units. The du Pont Engineering Company under that contract was to be paid a fee of three percent on account of the cost of the construction of the plant, the cost being estimated at $50,000,000. The contract provided that the fees to the du Pont Company under that contract on account of construction should not exceed $1,500,000, and in addition thereto the contractor was to be paid $500,000 for preparing the plans and designing the plant. In other words, a total compensation of $2,000,000 on account of construction.

In connection with the operation of the plant the du Pont Engineering Company was to be paid 3½ cents per pound for each pound of powder manufactured. Certain base prices for powder were given in the contract, and it further provided that in the event the contractor was able to get the actual cost of powder below the base price mentioned in the contract, then the contractor was to receive 50 percent of any such sale.

In working under that contract we were confronted with approvals of plans by representatives of the Government who knew little or nothing about the construction of powder plants. Mr. Jackling had a force in New York City, and he also had an office here in Washington with a force of employees. It was necessary, before incurring any expenditures under that contract, to secure Mr. Jackling's approval, or the approval of one of his delegated representatives. We soon found ourselves in the position of not getting anywhere in connection with the construction of the plant.

325 Thereupon the representatives of the du Pont Company came to Washington, took the matter up with the Ordnance Department and the Secretary of War, and voluntarily suggested to the Secretary of War that if

the Government would give the du Pont Company a contract that would enable the du Pont Company to go ahead and construct and operate the plant in its own way; or, in other words, in the same manner as it had constructed and was operating its own plants, the du Pont Company would waive all profit on account of construction, and would build a plant for the Government for cost plus a dollar, and profit on operation to remain the same as it was under the agency contract.

The du Pont Company realized at that time that the Government was in urgent need of the powder. In fact, the quantity of powder then available was only about one-half of the Government's requirements for the year 1918, and the du Pont Company, from a patriotic standpoint, and with an urgent desire to assist the Government, waived its profit on construction, provided it could be given a free hand and go ahead and get the plant constructed and into operation at the earliest possible moment.

To this suggestion of the du Pont Company the Secretary of War agreed. And thereupon a new contract, dated March 23, 1918, was entered into between the du Pont Engineering Company and the United States. That contract canceling and superseding the contract of January 29, 1918.

That a wise course was pursued by the Government in entering into the new contract is perfectly evident from the fact that the first contract was dated January 29, and the second one on March 23, and the du Pont Company began the manufacture of powder at Old Hickory in July of 1918.
326 And ahead of the contract schedule. And while the first unit was completed in July, the remaining additional units, up to the seventh unit, as I recall it, were brought into operation ahead of the contract schedule.

I neglected to state that when the new contract of March 23, 1918, was entered into the capacity of the plant was increased from 500,000 pounds a day to 900,000 pounds a day.

The next question is [continuing reading]:

"Is it not a fact that Mason & Hanger had other Government contracts with regulation scale of fees?"

Mr. Haskell. May I interrupt you a moment there, Mr. Gregg? Shouldn't you add to that statement—or give the Board a description of the two contracts that were made with Mason & Hanger, one approved by Mr. Jackling and the other one——

Mr. Gregg (interposing). I was coming to that later, Mr. Haskell.

Mr. Haskell. All right.

Mr. Gregg. The next question is:

"Is it not a fact that Mason & Hanger had other Government contracts with regulation scale of fees?"

"Answer. The Government is in a better position to obtain this information than the du Pont Engineering Company.

"Question 8. What check was kept on Mason & Hanger expenditures?

"Answer. The answer to this question is covered in our answer to question 2 under heading 'General Inquiries.'

"Question 9. Did they not buy from Du Pont subsidiaries? Was this
327 an agreed arrangement?

"Answer. It is possible that Mason & Hanger in their work at Old Hickory may have made some minor purchases from Du Pont subsidiaries, but Mason & Hanger invoices were not classified in accordance with the names of the vendors from whom they made purchases, and in order to ascertain from whom Mason & Hanger purchased their various materials, it would be necessary to make a complete analysis of all of the subvouchers attached to their invoices. There was certainly no agreed arrangement that the Mason & Hanger Company should purchase from Du Pont subsidiaries.

"Question 10. What was the necessity for agreeing to an unlimited 5% fee, obviously excessive when regulations called for a maximum of $250,000?

"Answer. We have no knowledge of any War Department regulations calling for a maximum fee of $250,000 to subcontractors, nor do we consider the 5% fee paid to Mason & Hanger excessive under the conditions which then existed. The contractor's position with respect to this matter is set forth in Exhibit 7 hereto."

Mr. Gregg. When we entered into the contract of January 29, 1918, with the Government for the construction and operation of the Old Hickory plant, that contract contained this provision, in article 5:

"Whenever it is inexpedient for any portion of the work of or connected with said construction to be performed by the construction manager"—meaning the du Pont Engineering Company—"it may, in its discretion, sublet 328 such portion of the work, provided the contract of subletting is submitted to and approved by the special director before being entered into by the construction manager."

Upon the execution of that contract the du Pont Engineering Company endeavored to secure the best subcontractor that it could in connection with the consruction work at Old Hickory, realizing that it was essential that the plant be constructed at the earliest possible date, and after numerous inquiries the du Pont Engineering Company selected the Mason & Hanger Company, for the reason that so far as the du Pont Engineering Company could ascertain the Mason & Hanger Company had a good record in connection with construction work.

Negotiations were then entered into between Mr. Pierce, chief engineer, and Mr. Pratt, his assistant, with Mr. Mason and Mr. Hanger with respect to a subcontract. And a contract was entered into on February 6, 1918, which contract was submitted to and approved by Mr. Jackling, special director, as the representative of the Secretary of War.

General WILLIAMS. Were not these facts all known beforehand?

Mr. GREGG. What is that?

General WILLIAMS. Were not these facts all known to the Department of Justice beforehand?

Mr. CARNDUFF. Certainly.

Mr. GREGG. Yes, sir.

Mr. CARNDUFF. We have copies of all these contracts.

329 Mr. GREGG. The contract of February 6, 1918, entered into with the Mason & Hanger Company, in article 3 provides for the fee to be paid to that company, and the provision is as follows:

"DETERMINATION OF FEE

"As full compensation for the services of the contractor, including profit and all general overhead expenses (except as herein specifically provided), the agent shall pay to the contractor from funds to be supplied by the United States as above provided, a fee of five percent (5%) of the cost of the work, such payment to be made in the manner hereinafter prescribed; provided, however, that if (before the actual cost of work performed hereunder aggregates $4,000,000) such work is stopped pursuant to the written instructions from the agent or the United States of America, the contractor's fee hereunder shall be determined in accordance with the following schedule:"

Then follows a schedule beginning with $100,000, a fee of ten percent.

And under that, if the cost of the work is over $535,714.29 and under $4,000,000 a fee of seven percent of such cost, limited, however, to a maximum fee in any such event of $200,000.

It was specifically provided in the contract that the Mason & Hanger Company should not sublet any of the work assigned to them. In other words, the du Pont Engineering Company took the position that it did not want to let a subcontract at Old Hickory, and then have the subcontractor turn around and sublet part of his work and pile fees on top of fees, so that it was dis- 330 tinctly understood with the Mason & Hanger Company that when we gave them work to perform they were to perform it and not sublet it. And that was carried out.

When the du Pont Engineering Company entered into the new contract of March 23, 1918, with the Government, it then became necessary to enter into a new contract with the Mason & Hanger Company, for the reason that under the first contract between the Government and the du Pont Engineering Company the latter acted as agent for the United States. Under the new contract of March 23, 1918, the du Pont Engineering Company ceased to act as agent for the United States and acted as an ordinary contractor.

The first contract with the Mason & Hanger Company, having been entered into by the du Pont Engineering Company as agent for the United States, it then became necessary to make a new contract eliminating the agency feature so far as the du Pont Engineering Company was concerned.

The first contract with the Mason & Hanger Company provided that they should do subcontract work within the plant site. When the new contract of

March 23, 1918, was entered into with the Mason & Hanger Company that contract provided for work within and beyond the plant site. That was necessary for this reason. When the Old Hickory plant was located at Jacksonville, Tennessee, the plant location was approximately seven and one-half miles from the nearest railroad, so that a spur-line railroad had to be constructed from the junction point of the Tennessee Central and the N. C. & St. L. at Storm River Junction, Tennessee, to the plant site. Mr. Jackling had entered
331 into a contract with the N. C. & St. L. Railroad to do that work at cost plus ten percent. And the N. C. & St. L. had in turn subcontracted it to the Mason & Hanger Company for cost plus ten percent.

Now, do not misunderstand me. That was not a total of twenty percent fees. The N. C. & St. L. Railroad sublet the work to Mason & Hanger Company and paid them ten percent, but then the N. C. & St. L. Railroad did not get an additional ten percent. The Government was only to pay ten percent.

After that contract had been entered into, the question then arose as to when the railroad was going to be completed, because it was absolutely essential to have the railroad completed at the earliest possible date in order to get materials into the plant site. The N. C. & St. L. Railroad said that it would take them somewhere between two and three months to build the spur-line railroad into the plant. The representatives of the du Pont Engineering Company took the position that the railroad would have to be built within a shorter period. And by agreement with Mr. Jackling the contract with the N. C. & St. L. was cancelled, and also their contract with Mason & Hanger Company, and the du Pont Engineering Company induced the Mason & Hanger Company to take over, under its contract, the work of constructing the spur-line railroad into the plant, and also the switching yards on the plant site.

Now, at the time that was done some work had been performed in connection with the spur-line road. First, a single-track line was run into the plant, and later a double-track line was built. And it was agreed with the Mason & Hanger Company that they should build this spur-line railroad
332 not at cost plus ten percent, but at cost plus five percent under their contract which they had with the du Pont Engineering Company. And when the new contract of March 23, 1918, was entered into with the Mason & Hanger Company, the provision as to fee which appeared in the contract of February 6, 1918, with the Mason & Hanger Company, was copied word for word in the new contract of March 23, 1918, with the Mason & Hanger Company.

We are asked why, in the face of a War Department regulation, we paid more than a $250,000 fee to the Mason & Hanger Company. I have never heard of a War Department regulation fixing a fee of $250,000. I do know that the construction division of the War Department had a form of contract where they did have a limitation on the total amount of fees to be paid to the prime contractor and a certain percentage to be paid to subcontractors. The form of construction division contract that was gotten out the latter part of 1917, as I recall it, provided for a fee of five percent to subcontractors, in addition to the fee to be paid to the prime contractor.

Mr. Cardnuff. But, Mr. Gregg, it called for a maximum of $250,000.

Mr. Gregg. To the prime contractor, but there was no maximum to the subcontractor.

The Chairman (Assistant Secretary Davis). Were your various contracts with the Mason & Hanger people approved by the War Department representatives?

Mr. Gregg. I am coming to that right now, Mr. Secretary. When we
333 made the new contract with the United States for that plant, the contract contained this provision with respect to subcontractors:

"Whenever it is inexpedient for any portion of the construction work to be performed by the contractor, it may, in its discretion, sublet such portion of the work, upon the most advantageous terms obtainable, consistent with the best interests of the United States."

That contract authorized the du Pont Engineering Company to do all things necessary or convenient in and about the construction of the plant, including the purchase and procurement of all materials and labor necessary therefor, except that the United States should furnish the platinum required in connection with operations. And it further provided that—

"The United States shall reimburse the contractor for all costs and expenses of every character and description, incurred or made in connection with the construction and equipment of the plant, or any part thereof, including the pro rata share properly attributable to the construction work under this contract (a) of the expense of maintaining the contractor's offices at Wilmington, Delaware, or elsewhere, and (b) of the salaries and traveling expenses of all officials and employees of the contractor and of E. I. du Pont de Nemours & Company."

And further—

"In order that the work of construction may proceed with the utmost promptness and dispatch, the contractor shall, from time to time, make the expenditures and pay the costs aforesaid, and the United States, upon presenta-
334 tion of satisfactory evidence of such expenditures and payments, shall promptly reimburse the contractor therefor."

* * * * * * *

ART. IX. "The contractor shall keep complete records as to all construction and operating expenses, all of which records shall at all times be open to the inspection of the United States or its duly authorized representatives. The United States may examine all work as it progresses and shall audit all accounts, but in such a manner as not to interfere with the contractor proceeding with the construction and operation in any manner and by any means that in its judgment will best produce the desired results under this contract."

Those were the broad provisions of the new contract between the du Pont Engineering Company and the United States.

And coming to your question, Mr. Secretary, with respect to the approval of the Mason & Hanger contracts. The first Mason & Hanger contract was approved by Mr. Jackling, as the special director and representative of the Secretary of War. The second contract, where we follow the same line of fees to be paid as was provided in the first contract—the second contract was not approved by a representative of the Government for the reason that under the new contract that we made with the United States the du Pont Engineering Company was not required to secure the approval of a Government representative for the reason that under the new contract the Government authorized the du Pont Engineering Company to go ahead and build the plant and get it constructed in order that it might be constructed at the earliest
335 possible date and brought into operation.

The representatives of the du Pont Engineering Company in determining upon this fee determined that five percent was a reasonable fee to be paid to Mason & Hanger for the work that would be given them to perform at Old Hickory. At that time the Government, notwithstanding the construction division form of contract, was paying more than five percent on a number of its construction projects, and our people determined that five percent—if they did more than $4,000,000 worth of work, that then five percent was a fair and just fee to pay for the total amount of work given them to perform. And they did between 21 and 22 million dollars worth of work, and they were paid five percent on the $21,000,000.

I might state that all overhead expenses of the Mason & Hanger Company at its home office or any expenses incurred by that company when they were not engaged in this work at Old Hickory were not to be charged against this contract, and such expenses were not charged against the contract.

Mr. CARNDUFF. Mr. Gregg, there is a question I would like to ask you, the answer to which I do not know. It has been charged that Mason & Hanger got ten percent on freight.

Mr. GREGG. Ten percent?

Mr. CARNDUFF. Five percent on freight. With the vouchers we have available we have not been able to ascertain, from a cursory examination, whether they received five percent on freight, nor do we know.

Mr. GREGG. I will ask Mr. Shafer to answer that.

336 Mr. SHAFER. I think I will read this and see if you can follow it. I have prepared notes on it [reading]:

"Was Mason & Hanger paid five percent on this freight?

"Under the terms of the contract entered into between the du Pont Engineering Company and Mason & Hanger, Mason & Hanger were entitled to receive five percent on the freight paid for such materials as were purchased and used by them in connection with the work performed for the du Pont Engineering Company at the Old Hickory powder plant. However, a large quantity of material consigned to Mason & Hanger was delivered to the du Pont Engineering Company at Old Hickory plant, and in such instances, where any shipments were accepted directly by the du Pont Engineering Company, the freight charges were included in drafts drawn by the railroad company for freight charges to the du Pont Engineering Company, and were thus paid by the du Pont Engineering Company direct. In order to save accounting work Mason & Hanger did not insist upon receiving a commission upon freight paid by the du Pont Engineering Company, as described above, and consequently received commission only on such freight as was paid directly by themselves and included in their invoices to the du Pont Engineering Company."

Mr. CARNDUFF. That answers it.

Mr. CAMERON. No; that does not answer it.

Mr. ANDERSON. Mr. Gregg, have you finished discussing the Mason & Hanger matter?

Mr. GREGG. Well, I might say this, Colonel Anderson, that our reason for asking the Secretary of War to send them over to the Attorney General
337 for an opinion was this: We were getting so many different views about the Old Hickory contract itself, that is, the contract between the du Pont Engineering Company and the Government, and also the Mason & Hanger subcontracts, that I felt that if I could get it over to the Department of Justice, in view of my previous experience, was so that we might get an opinion stating just what we had the right to do and what we did not have the right to do under our contract with the Government, and also under the subcontracts that we had made with the Mason & Hanger Company, because I felt that the decision of Mr. Wainwright, with all due respect to Mr. Wainwright, was a purely arbitrary decision, and was not based on facts, the law or the contracts.

Mr. ANDERSON. Have you gotten your answer to the question on freight charges, Mr. Carnduff?

Mr. CARNDUFF. The answer is that five percent was paid on the freight paid by Mason & Hanger, but not on the freight paid by du Pont on consignments direct to the plant. The ratio, the proportion of the freight on which commission was paid or was not paid could only be determined by an audit of all the freight charges.

Mr. ANDERSON. Yes. Well, we have got the principle anyhow. Now is there anything else in connection with Mason & Hanger? You are about through with them, aren't you?

Mr. GREGG. That is all I have to say in connection with Mason & Hanger. If there is still any doubt in the minds of the members of the Board with respect to the Mason & Hanger matter and how it was handled, I should appre-
338 ciate it very much if the members could take the time to read my brief that I field with the Secretary of War, because I tried to go into the matter quite fully there and discuss all angles of it.

I might say here that just as soon as either of the two contracts was entered into with the Mason & Hanger Company, the Government had those contracts. They got the contract of March 23 as soon as it was executed, because the Government had to reimburse us for moneys that we expended to Mason & Hanger, and they made reimbursements under those contracts up until about the time the armistice was signed, for approximately $18,000,000; the Government had reimbursed us under those contracts for approximately $18,000,000 of the total of $21,000,000 expended by Mason & Hanger. Never said a word about it. And that fee was never questioned by any Government representative until the spring of 1920, when the auditors for the War Department at Philadelphia first raised the question, and then it was appealed to Washington, and a decision was rendered to the effect that the Government was obligated to reimburse us for the full amount of the fee. By the way, Major Farr wrote that opinion. And then the auditors went ahead and passed the vouchers.

Then at a hearing before Mr. Wainwright, as I recall it in April 1922, wasn't it?

Mr. SHAFER. Yes.

Mr. GREGG. In April 1922 someone raised the question of the Mason & Hanger fee again, and the Assistant Secretary said he would consider it, with the result that he finally disallowed $179,000, after the receipt of an opinion from
339 the Acting Judge Advocate General to the effect that the Government was obligated to reimburse the du Pont Engineering Company for the full amount of the fee paid the Mason & Hanger Company, and it was then that I asked Mr. Weeks to send it to the Department of Justice.

I think that is all now on that Mason & Hanger matter.

Mr. ANDERSON. Now, Mr. Chairman, if that concludes the discussion on the Mason & Hanger contract I suggest that we take an adjournment until after luncheon.

The CHAIRMAN (Assistant Secretary Davis). It is ten minutes past one, now. What time do you want to meet?

Mr. **Anderson**. I would say three o'clock.

General **Williams**. There is no use of my being here anyway.

Mr. **Anderson**. I think you should come back if you can be here. I was to meet some Senators at 2 o'clock, and I would suggest that we adjourn to 3 o'clock, and then, so far as I am concerned, I am willing to sit here until we conclude the hearing.

Mr. **Gregg**. It will not take so very long, I don't think.

The **Chairman**. If we can start in at three o'clock, unless there are too many questions asked, we can easily finish this this afternoon.

Mr. **Anderson**. Well, if you can run through those points there, Mr. Gregg, and then if there is any further discussion we can have it here, which will give us the benefit of any views on these questions which might elaborate upon and throw light upon them when we come to consider them.

The **Chairman**. Very well, then we will adjourn until 3 o'clock.

(Thereupon, at 1:10 p.m., a recess was taken until 3 p.m. the same day, December 5, 1923.)

340

AFTER RECESS

The hearing was resumed at 3 o'clock p.m., December 5, 1923, pursuant to recess.

The **Chairman**. We might start and go ahead now. Colonel Anderson will be here shortly.

Mr. **Gregg**. The next question on the list of inquiries [reading]:

"2. Bonuses paid to employees.—Question 1. Will contractor furnish a complete statement of all bonuses paid to employees for any cause?

"Answer. All of the contracts between du Pont Engineering Company and the United States, for the construction of Government plants, contained provisions with respect to the payment of extra compensation for materials or services, the said provisions being as follows:

"'In order that the contractor may expedite the work of construction, it may in its discretion, from time to time, pay extra compensation for materials or services, subject, however, to the approval of the contracting officer, which extra compensation shall be charged to the cost of construction.'"

Colonel **Hull**. I would like to have you read that question again, Mr. Gregg.

(Thereupon Mr. Gregg repeated the last question read.)

Colonel **Hull**. That includes current bonuses and the going away bonuses?

Mr. **Carnduff**. The A and B bonuses, also. There was a stock bonus.

341 Mr. **Gregg**. I do not interpret that to mean the payments that were made in lieu of a discharge, because we never describe those as bonuses. It was an extra month's salary in lieu of notice of discharge. If that is desired here we can furnish that. It is quite a job, but we can furnish it.

Mr. **Carnduff**. I think we will go in afterwards and get that up, Mr. Gregg.

Mr. **Shafer**. We have it.

Mr. **Carnduff**. Yes.

Mr. **Shafer**. But we haven't it here.

Mr. **Carnduff**. I think you showed it to us at Wilmington.

Colonel **Hull**. I just wanted to know what particular bonus you had in mind.

Mr. **Gregg**. I interpreted it to mean——

Mr. **Carnduff**. The bonus——

Mr. **Gregg**. Well, the bonus, or the cash bonus that was paid by the du Pont Engineering Company?

Mr. **Carnduff**. Yes.

Mr. **Gregg**. The first contract for the construction and operation of Old Hickory powder plant, where we acted as agent for the Government, or were to act as agent for the Government, and wherein we were to derive a compensation of $2,000,000 on account of construction, contained this provision:

"In order that the construction manager"—meaning the du Pont Engineering Company—"may be enabled to secure the utmost possible expedition on such work * * * it may in its discretion, but subject to the approval of the special director from time to time award reasonable cash bonuses to employees chargeable to such construction, and such bonuses shall be included as a proper item of cost in the determination of the construction manager's compensation for the construction aforesaid." 342

When we made the new contract with the Government, or the contract of March 23, 1918, in drawing up that contract Colonel McRoberts, who was then Chief of the Procurement Division of the Ordnance Department, did not like the sound of the word "bonus", and suggested that instead of the words "bonus" we use the words "extra compensation." The whole situation being explained to him, as it was explained to Mr. Jackling at the time the first contract was entered into, as to why we wanted that provision in the contracts.

Then when we came to the new contract it read as I have just stated.

(Continuing reading answer to question 1 under "Bonuses paid to employees":)

"In March 1921, Major Farr, then an attorney on the War Department Claims Board, rendered an opinion to the effect that the extra compensation paid by the contractor to its employees should not be allowed. Thereupon the contractor took an appeal from Major Farr's decision, and filed a brief in support of its view that the extra compensation the contractor had paid to certain of its employees was allowable. A copy of the contractor's brief is herewith submitted, marked exhibit 8, and sets forth the reasons for paying the extra compensation and the contractor's position with respect
343 thereto. On November 19, 1921, Colonel H. M. Morrow, vice chairman of the War Department Claims Board, overruled Major Farr's opinion, and held that the extra compensation paid by the contractor to certain of its employees should be allowed. It may be here stated that the contractor complied fully with the provisions of its contracts with the United States before paying the extra compensation, as is shown in its brief filed with the War Department Claims Board and attached hereto, marked 'Exhibit 8.'

"A statement showing the total extra compensation paid by the contractor on account of construction of Government plants is hereto attached, marked 'Exhibit 9.'

"A statement giving the names of the contractor's employees, the positions occupied by them, their location, and the amount of extra compensation paid to each, is hereto attached, marked 'Exhibit 10.'

"A statement listing the names and monthly salaries of the contractor's employees who were paid extra compensation is hereto attached, marked 'Exhibit 11.'"

Now, this brief that I have attached here as an exhibit is the same brief, or a copy of the brief that I filed when I took an appeal from Major Farr's decision to the vice chairman of the War Department Claims Board.

Mr. Haskell. Mr. Gregg, it might help the members of the Board to understand that it has been the custom in the du Pont Company over a good many years to pay their principal men what you might term a minimum salary, and then adjust that with an extra compensation, and the men who were put
344 in charge of this particular construction work were transferred from the du Pont Company's other plants to this work on their minimum salaries, on the understanding that they would not use their standing for extra compensation. I do not remember what the manager or the builder of the plant got, but it was a very much smaller salary than you could have possibly gotten anybody of that caliber to take charge of that plant, and it was in adjusting that that these particular bonuses that he is talking about came out.

General Williams. Well, the bonus or the premium or extra compensation, or whatever it may happen to be called by one concern and another, is a common method of payment in industry.

Mr. Gregg. And I might say this, that the bonuses awarded by the du Pont Company are allowed by the Revenue Bureau, in computing taxes, as extra compensation. In other words, they are allowed as part of the compensation of the employee, and deductible as an item of cost of conducting the business, and not in the nature of a gift.

General Williams. Yes.

Mr. Haskell. Furthermore, the employees have to pay income taxes on them. They count as income, not as gifts.

Mr. Gregg. No; they count as income.

General Williams. Mr. Chairman, may I ask Major Carnduff, or whoever is conducting the case, what the object of this question is?

Mr. Carnduff. To compare the du Pont statement of bonus with the statement of bonus furnished the Department of Justice, to see if they agree; to see if the du Ponts have paid more bonus than we are aware of, and
345 to ascertain the total amount involved in this bonus, which, as I see now, is $199,000. There has also been a ruling that bonuses are illegal.

General Williams. Is it a ruling or a law, a decision of a court?

Mr. McLane. A decision of a court.

Mr. GREGG. In what case, Mr. McLane?

Mr. McLANE. I cannot give it to you now, but I will give it to you before I leave.

Colonel HULL. Are you talking about the *Preiss case?*

Mr. McLANE. Yes.

Colonel HULL. That was the case, Mr. McLane, of a bonus to a man—this was in the Quartermaster Department—under a contract that was already in existence, and then they gave a supplementary contract authorizing the bonus, and the War Department refused to pay it, and the man took it to the Court of Claims, and the Court of Claims threw it out, following the action of the War Department Claims Board, and is in no way comparable to this case. Are there any other cases?

Mr. CARNDUFF. There are other cases pending. The question of bonus is being tried out by the Department of Justice, and we will have a decision on it.

General WILLIAMS. These appendices give you the information that you desire, do they?

Mr. CARNDUFF. They do, and this is very valuable.

General WILLIAMS. All right, let us pass on.

Mr. CARNDUFF. This is the first time we have received it.

General WILLIAMS. Pass on.

346 Colonel HULL. Mr. Gregg, were not those facts all in the record of the War Department?

Mr. GREGG. Absolutely.

Mr. CARNDUFF. Were the statements that gave in the records of the War Department?

Mr. GREGG. You mean bonuses paid by E. I. du Pont de Nemours & Company on account of the operation of the plants?

Mr. CARNDUFF. Yes, sir; were they in the report?

Mr. GREGG. Were the operation bonuses submitted to the Government representatives at Wilmington? Did I understand you to say that they were?

Mr. SHAFER. They had access to them, Mr. Gregg. I don't remember whether they were given to them or not; I don't remember that distinctly, but I know they had full access to them; that is, there was full access given to the Government representatives for any comparison that they wanted at the time, and I do know that this list of cash bonuses that we have here was submitted to the War Department before it was paid, and was thoroughly checked by the Government auditors on the job before we received a letter telling us to go ahead and pay it. They made all the comparisons that they desired to make at the time. Attached to this schedule is a percentage comparison which was furnished at that time to the Government auditors in order that they could decide whether or not our bonuses were in excess of du Pont bonuses. That exhibit shows that the extra compensation that we figured was 12.82 percent.

Mr. GREGG. You say "we." Who do you mean, Mr. Shafer?

347 Mr. SHAFER. The du Pont Engineering Company. 12.82 percent of the total salaries, whereas the B bonuses paid by the du Pont Company during the year 1918 ran 17.98 percent. Now, that information was in the hands of the United States Government at the same time that they checked this original bonus list before approving it for payment.

General WILLIAMS. Well, did your brief, Mr. Gregg, give sufficient information upon which to determine the legality of the bonus?

Mr. GREGG. That is just the point I went into. I did not quote any court decisions, because on this particular point, as I recall it now, I could not find any decision. It was a matter of how to pay it, and I knew of no law, nor do I know of any law today prohibiting the payment of this extra compensation. It is a matter of contract between the Government and the contractor.

General WILLIAMS. When was your brief submitted?

Mr. GREGG. It was submitted—there is no date on that, but it was submitted prior to Colonel Morrow's decision, which was on November 19, 1921.

General WILLIAMS. So that the question as to the legality of the bonus has been before the Government authorities for more than two years?

Mr. GREGG. That is right.

General WILLIAMS. And is not yet decided?

Mr. Gregg. Yes, sir; it was decided by the War Department. Colonel Morrow allowed it.

Mr. McLane. What class of people were given a bonus?

Mr. Gregg. We gave you a full list of them.

Mr. McLane. What was their status?

348 Mr. Gregg. We have given you a list of them in these exhibits, giving the position they occupied at the plants, the salaries they received.

Mr. McLane. Were they employees or former employees of the du Pont Company?

Mr. Shafer. A great many of them were.

Mr. Gregg. Most of them were.

Mr. Shafer. Yes; most of them were. All of the important ones were.

Mr. Gregg. I should like to point this out, that the Government, when it made these contracts providing for the extra compensation, fully understood why that provision was being included in the contracts. As I state in this brief, in the fall of 1917 conferences were held between representatives of E. I. du Pont de Nemours & Company and representatives of the Government concerning the construction and operation of smokeless-powder plants by the du Pont Company for the Government, and proposals were submitted to the Government by the company.

On November 2, 1917, the president of the du Pont Company addressed a communication to General Crozier, then Chief of Ordnance, which stated in a general way what expenses were chargeable against a 15-percent commission on a proposed contract for the construction of powder plants by the Government. That was just prior to or about the time that we were awarded or given the order for the nitro plant by General Crozier, which was later canceled by the Secretary of War, and General Crozier had asked us what expenses we were going to bear out of this 15 percent, and in this
349 letter Mr. P. S. du Pont gave him a list of the expenses that we intended
to bear out of the 15 percent if we were awarded that contract, and in the list, among other things, Mr. du Pont stated in this letter to General Crozier:

"I am also including several more direct expenses, such as extra compensation to employees for rapid and satisfactory conduct of the work. This compensation cannot be determined until the plan is wellnigh completed. An extra compensation plan has been carried out with good effect by our company for many years. We are satisfied that in the present emergency it is not only inadvisable, but really dangerous to attempt to withdraw it. The actual cost of this item in building similar plants for our own company amounted to $1,800,000. However, this is a small percentage of the total salary and pay roll involved in the work."

Now then, on November 19, 1917, General Crozier addressed a communication to the du Pont Company, and this was the order that was later on canceled by the Secretary of War. And that order provided:

"There shall be included as a part of the construction cost and paid to you a sum equal to one and two-thirds percent of all disbursements for construction, exclusive of the amount provided by subdivision (a) and (b) of this paragraph, this fund to be disbursed * * * as special compensation to the employees engaged in the construction of the plant, and for the purpose of securing the completion and final operation of the plant at the earliest possible date."

350 Now that order provided for one and two-thirds percent of the total cost of the construction of the plant.

Then when we came to make the contract with Mr. Jackling on January 29, 1918, and in view of the fact that we were going to do the work there for three percent on the cost of construction, we insisted that the Government would have to bear this extra compensation to our employees, which was agreed to. And there is no way of paying that extra compensation, keeping in mind the reason for which it is paid, in other words, this extra compensation is paid as an inducement to employees to put forth their best efforts.

Now then let us assume that in starting the work a man is getting a salary of $10,000 a year. Say he is the chief engineer at the plant. And at the end, when it is all over, he is paid an extra compensation of $15,000, or a total of $25,000. If you start out by increasing his salary to $25,000 before the work is performed, the incentive to put forth the best efforts is removed, whereas if you wait until the work is completed, he has that ahead of him all the time, and he knows that if he does not put forth his best efforts he is not going to get the extra compensation. So that the only proper time to determine the employees who are to receive the extra compensation, and the amount they are to receive, is after the work is completed, and you can then determine whether they are entitled to it, and the amount they are entitled to.

General WILLIAMS. That, I believe, is the principle upon which every industrial manager proceeds.

Mr. GREGG. As far as I know, General.

351 Now the next question: What payments were made to employees of E. I. du Pont de Nemours & Company over and above salaries and traveling expenses?

"Answer: For a number of years E. I. du Pont de Nemours & Company has awarded bonuses to its employees for meritorious services performed, such bonuses being usually paid in common or preferred stock of the company.

"A list of employees who were awarded stock bonuses by E. I. du Pont de Nemours & Company on account of meritorious services in connection with the operation of the Old Hickory smokeless powder plant and Penniman shell-loading plant—both Government plants—is hereto attached, marked 'exhibit 12'."

Now it should be borne in mind that no part of the extra compensation or bonuses awarded to operating employees was paid by the Government. E. I. du Pont de Nemours & Company paid all bonuses awarded in connection with the operation of the plant.

General WILLIAMS. There is one circumstance connected with this contract, that while it has no legal value, I admit, still to me, as being responsible for the production of powder, it had a great deal of value. The Ordnance Department prepared and had ready for execution a contract with the du Pont Company to build powder works in October of 1917. We went to war on April the 6th of 1917, and everybody knows, every boy in the street knew we had to have powder. Now that contract was held up, it was not executed for three or four months. Meanwhile the demand for powder from France was coming in all the time, and those who were responsible for the production of
352 powder found themselves in a very serious situation. After those in authority in the Government had stumbled about for three or four months, utterly failed to take any efficient steps toward the production of powder, they finally turned to people who could make powder, and this contract was made with them. It was not made until March of 1918, almost a year after we got into the war, and expedition was of the greatest moment. It was essential that powder be produced as quickly as possible.

Now to those of us who were responsible for furnishing material for the troops to fight with in France that was a very serious condition, and we were perfectly justified in using every means that we had at our command to further and to expedite the production of powder, and insofar as I am concerned, as being the one responsible for making contracts for this material at that time I would do anything, no matter what it was, that I could possibly stretch my authority to do to produce that material.

You cannot go back and recreate the atmosphere of these things, and the atmosphere in which it was done is an essential part of it, but of course nobody nowadays even tries to do it.

Mr. GREGG. Now the total bonuses paid by the du Pont Engineering Company on account of construction——

Mr. MCLANE (interposing). Mr. Gregg, just a moment. If the committee please, in view of the statement just made that that is the attitude today, why take up the time here? If these errors that we think are here, are pointed out, if they come before you with the attitude just expressed by
353 General Williams, we then have accomplished nothing. I can't see any use in going on here.

Mr. ANDERSON. Well, if I may reply, Mr. Chairman—may I?

The CHAIRMAN. Yes.

Mr. ANDERSON. I think General Williams' statement, if I may suggest, Mr. McLane, is helpful, certainly to this extent: What he says is undoubtedly true, that the emergency existing during the war was such that the Government had to take a great many steps and employ a great many means which in time of peace or nonemergency it would not employ. I think that is generally recognized, and speaking for myself I can say that in my investigation or consideration of these cases I always bear that fact in mind.

But there is one aspect of the matter, on the other hand, that fortunately or unfortunately is true, and I do not think General Williams controverts that in the least, because he, in his opening sentence, recognized that fact, and that is that while making all due allowance for that condition which we all recognize, and the importance of which cannot be overemphasized from a practical standpoint in time of war, yet in the last analysis the authority of officers of the Government is controlled by law, and the sole purpose of our investigation here, as I understand it, Mr. Chairman, is to ascertain whether through inadvertence or otherwise there has been, not in the making of the contract, or if in the making of the contract, yes, more particularly in the settlement of the contract, a mistake of fact or law by which the Government has been prejudiced.

354 Of course if there were actual fraud demonstrated, why that would remove all question of that kind. But the present inquiry that we are making here is dealing more with the items for consideration, as I understand, of the legal aspect of those various elements of settlement.

Now, I think that for myself, in what General Williams has said he has reminded me of what I try to keep in mind always, that that atmosphere is one of the things that must be kept constantly surrounding us as far as we can, but in the last analysis atmosphere cannot take the place of law, and he, I think, takes that view, as I understood in his opening statement he said: "It might not have any legal effect, but it must be borne in mind on the merits, as distinguished from the strict legality of these contracts." Do I correctly interpret you, General?

General WILLIAMS. Why, yes, of course; if there was anything like graft going on, why, we all want to know about it, we all want to take the proper steps to see that it is properly ferreted out and punished if necessary, and I have not the slightest doubt the du Ponts want that as much as we do.

Mr. GREGG. Absolutely.

Mr. ANDERSON. Yes.

Mr. CARNDUFF. I would like to remind you, during this interruption, of a very grave duty and responsibility devolving upon this committee at this time. In the answers brought forth by the contractor it is admitted that there is on hand a fund of $958,000 of Government funds in their possession. They also state that their charges and expenses are continuing. I am in-
355 formed by Mr. Gregg that an estimate of the present charges and expenses being charged against the Government is approximately $700 per month, going on right now. I would suggest to the committee that if a method can be arrived at that this fund of $958,000 belonging to the United States be returned to the United States now, and this expense of $700 a month be discontinued. If the Board, in their judgment, can approve a method for that being done now it will certainly be well worth the time they have spent on this inquiry.

The CHAIRMAN. This particular inquiry is to give the du Pont Engineering Company an opportunity to answer certain questions, and present their side of the case. I think we had better stick to that and get through with that, and then take up these other side issues, otherwise we will never get through.

General WILLIAMS. There is one thing I would like to say, Mr. Chairman. The inference from the gentleman's statement is that just at the present time it has become known that this balance is in the hands of the du Pont Engineering Company, whereas it has been common information ever since the Armistice.

Mr. ANDERSON. I think we had better proceed, Mr. Chairman.

General WILLIAMS. Likewise it has been known that the expenses of the du Pont Company are being charged against it as provided in the contract.

Mr. GREGG. I would like to make this brief comment in connection with the extra compensation: I sometimes feel that there is a disposition to go
356 through contracts for the purpose of arriving at a conclusion as to whether or not the contracting officer erred in judgment, and not so much as to whether or not a provision of a contract is in violation of law. All of the decisions of the Supreme Court that I have ever run across take the view that the head of a department has authority to make contracts with citizens for materials or work for his department, and that he is allowed broad discretion in doing so. Of course, the head of a department—and we all know that—cannot make a contract that contains a provision which is specifically prohibited by law. We all know that. But the Supreme Court has said time and again that certain things must be left to the judgment and discretion of the head of a department, and that the head of the department, when he makes such a contract, makes a contract containing provisions which are not prohibited by law, the Government is bound by that contract just the same as

a contract between private individuals. Because the Supreme Court has said repeatedly that when the Government makes a contract with a citizen it places itself on the same plane as the citizen, and the same rules and regulations that apply to the construction and interpretation of contracts between individuals also apply to the construction and interpretation of contracts between he Governmen and its citizens.

The total amount of bonuses which were paid on account of the construction of Government plants by the du Pont Engineering Company is as follows:

Old Hickory powder plant	$151,355
Penniman shell loading plant	47,647
Ives TNT plant	648
357 A total of	199,650

Those bonuses were paid in connection with a total construction cost of $98,411,452.31. And on that total construction cost the du Pont Engineering Company has been paid by the Government a total profit of $2, as provided in the contracts.

In connection with the operation of the Old Hickory powder plant, and the Penniman shell-loading plant, E. I. du Pont de Nemours & Company awarded stock bonuses to its employees engaged on operation as follows:

Old Hickory powder plant	$167,366.72
Penniman shell-loading plant	25,827.46
A total of	193,194.18

representing the cost to the company of the stock awarded as bonuses in connection with the operation of these two plants.

While the total construction cost in connection with which $199,650 was paid as bonuses was $98,411,452.31, the cost of the bonuses awarded by the du Pont Company of $193,194.18—were awarded in connection with a total operation cost of $31,095,961.70, as against the total cost of construction of $98,411,452.31.

Colonel Hull. Mr. Chairman, may I ask one question?

The Chairman. Yes.

Colonel Hull. The stock bonuses paid by the E. I. du Pont de Nemours & Company—how does that question come into this case?

Mr. Gregg. Because we were asked that question, Colonel Hull.

358 Colonel Hull. It was paid by the parent company?

Mr. Gregg. It was paid by the parent company.

Mr. Anderson. The operating company.

Colonel Hull. The operating company, I know, but did the Government pay it in any way, shape, or form?

Mr. Gregg. No, sir; no part of it. Not a dollar of it; not a cent of it.

Colonel Hull. Did it enter into any of the calculations with the War Department on operations of the powder plant?

Mr. Shafer. It did not, Colonel Hull, and it would not, because purely an expense of the E. I. du Pont de Nemours & Company.

Colonel Hull. I suggest that we pay no more attention to it, then, if it does not enter into it.

Mr. Gregg. I am through with it now. I just wanted to make that comparison for the benefit of the Board.

"3. *Subsidiaries*—

"Question 1. Was it not the rule to purchase materials from du Pont subsidiaries? Was this not profitable to E. I. du Pont de Nemours & Company?

"Answer. There was no rule relating to the purchase of materials from du Pont subsidiaries. Cotton linters and hull shavings were purchased directly from or through E. I. du Pont de Nemours & Company or its subsidiary, du Pont American Industries, Inc. The cost of shavings and linters purchased for use at Old Hickory was approximately $4,580,000. No profit resulted to E. I. du Pont de Nemours & Company or du Pont American Industries, Inc., through the purchase of linters and shavings.

359 "Certain special machinery and equipment were purchased by du Pont Engineering Company from E. I. du Pont de Nemours & Company, aggregating in value approximately $7,342,926.03, under an arrangement approved by the contracting officer for the United States, which provided that E. I. du Pont de Nemours & Company was to receive a profit of 10% above cost, See exhibit 14, hereto attached. However, E. I. du Pont de Nemours & Company voluntarily waived its rights to the 10% profit, and settled with du Pont

Engineering Company on a basis of cost in which was included the amortization of special facilities, purchased for producing such machinery and equipment. The total amount of profit waived by E. I. du Pont de Nemours & Company in connectiion with this matter was $734,292.60, while the total charges for amortizing facilities was $475,338.99, or a saving to the United States of $258,953.61."

Which amount, as I have stated, the du Pont Company waived. And that was done for this reason. While we had this agreement by the Ordnance Department to pay us 10 percent on this special machinery, when we came to close up, in other words, after the war, E. I. du Pont de Nemours & Company took the position that under the contracts between the du Pont Engineering Company and the United States the du Pont Engineering Company was not to receive any profit on account of construction, and that therefore E. I. du Pont de Nemours & Company desired to waive its profit which it had a perfect right to claim under its agreement with the Ordnance Department. In other words,
the company took the position that it had agreed to construct these
360 plants without profit, and it intended to carry that out as far as it could.

"Automobiles manufactured by the General Motors Corporation and its subsidiaries from dealers in the vicinity of the several plants operated by the contractor. Such purchases, however, were the result of expediency and on account of the fact that the class of car in question was suitable to the contractor's requirements, and deliveries could be made promptly.

"The indirect profits accruing to E. I. du Pont de Nemours & Company through its stock ownership in the General Motors Corporation, on account of automobiles purchased by the du Pont Engineering Company, were intangible and insignificant.

"For use at the Old Hickory Powder Plant, 54 Ford cars were purchased by du Pont Engineering Company from the Hippodrome Motor Company and Blackwood Tire Company, and 41 Chevrolet cars"—which is a General Motors car—"were purchased from the Broadway Motor Company, which serves to illustrate that the contractor did not show any preference for cars manufactured by companies in which E. I. du Pont de Nemours & Company was interested.

"The contractor purchased its principal supply of paints and paint ingredients from the Harrison branch of E. I. du Pont de Nemours & Company, although a considerable quantity was bought from competitive manufacturers and vendors who dealt in competitive brands. Purchases of paint, pigments, lead, etc., were made from E. I. du Pont de Nemours & Company on account
of the fact that by reason of the relationship between E. I. du Pont de
361 Nemours & Company and the contractor, pressure could be exerted to
insure priority in deliveries, and paints could thus be obtained when needed without delays. Preference was not given to E. I. du Pont de Nemours & Company for the purpose of increasing its profits, inasmuch as the demand for such commodities throughout the war period was in excess of the supply, and a ready market was available for all the commercial products then manufactured by E. I. du Pont de Nemours & Company and its branches. Paints purchased from the Harrison works were invoiced to the contractor at the market price. No profit accrued to E. I. du Pont de Nemours & Company on account of paint sales to the contractor, as the du Pont Company's paint business resulted in a deficit for the year 1918.

"Question 2. Was purchase noncompetitive?

"Answer. Purchases in quantity, with the exception of materials specifically contracted for and emergency procurements, were usually made after securing competitive bids with a view to obtaining such materials at the lowest price consistent with quality and the assurance of delivery.

"Question 3. Was there any check on materials or prices by du Pont? Explain system.

"Answer. The invoice prics for materials shipped for account of the du Pont Engineering Company were checked and compared with orders by the contractor's staff, and also by the accountants employed by the United States working under the direction of the contracting officer of the War Department. Materials received at the plant were checked and verified by the contractor's representatives and by United States Government resident stores inspectors.

362 "The following plan for making, checking, and recording disbursements and keeping a record of the contractor's business, approved by the representatives of the United States in charge at the time, was modeled on

a system which had been followed by E. I. du Pont de Nemours & Company and found by experience to be satisfactory:

"Certain proficient employees were appointed to direct and supervise the work of the several departments. Whenever the procurement of material or equipment was necessary, requisitions were issued by the departments responsible and forwarded to the Purchasing Agent in Wilmington, unless the need was sufficiently urgent to necessitate ordering direct by telegraph or otherwise. In cases requisitions were sent to the Purchasing Agent for record. Orders for materials specified in such requisitions were issued by the Purchasing Department, and numbered in series, copies being sent respectively to the vendors, plants, and accounting department, one being retained by the Purchasing Department for comparison with the vendors' invoices.

"Vendors were required to show the order number on the face of each invoice for identification. Each invoice, after receipt at the home office, was compared with the orders and checked as to terms, quantity, and price by the Purchasing Department, and then forwarded to the plant which issued the requisition, where certification was made as to receipt of material, and the approval of the plant representative affixed; and then returned to the home office at Wilmington. Vouchers were then approved by the Departmental
363 Director responsible for such expenditures, and the charge distribution was noted thereon, after which the Accounting Department functioned, checking extensions, recording, and issuing checks in payment therefor.

"When vouchers had been audited, recorded, approved, and paid by representatives of the contractor, they were transmitted to the contracting officer of the United States, who checked and verified the expenditures until satisfied that the requirements of the contracts had been fulfilled. He then indicated his approval on each voucher, and forwarded all vouchers applicable to construction projects to the disbursing officer, who recorded the approved expenditures on public vouchers, and issued instructions for the contractor's reimbursement.

"While vouchers applicable to the operating projects were checked and approved in the manner described above, the contractor was reimbursed as provided by the several contracts with respect to operation.

"4. *Cotton linters.*

"Question 1. Explain excessive prices above maximum contract rates.

"Answer. Assuming that question 1 refers to cotton hull shavings, which at the time of purchase were at a price in excess of the contract limit, the transaction is explained as follows:

"An audit was made of the cotton hull shavings purchased by du Pont Engineering Company by the contracting officer representing the War Department resulting in disallowance by the contracting officer, based on the statement that the contractor had purchased cotton hull shavings at a
364 price in excess of the limits established by the contract. The contractor then prepared a statement showing the purchases of cotton hull shavings, exhibiting that the total amount paid, including freight to Nashville, was in excess of the contract limitation in the amount of $42,354.98, or based on rates in effect as of the date of the contract between du Pont Engineering Company and the Government, an excess of $29,952.85. See statement hereto attached, marked 'Exhibit 15.'

"In article IV, paragraph (d) of the Old Hickory contract, it is stated:

"'All materials for construction or operation upon which prices have been fixed by the United States shall be purchased by the contractor at the prices so fixed and where the price of any of the raw materials named in the above schedule has not been fixed by the Government, they shall not be purchased by the contractor at prices more than 20 percent higher than those specified above, except with the approval of the contracting office.'

"The above allowed a maximum price for shavings of 5.064 cents per pound, delivered at Nashville.

"The contractor states that in lieu of entering the market as a direct purchaser of shavings, it arranged for E. I. du Pont de Nemours & Company to purchase the shavings required for Old Hickory, for the reason that E. I. du Pont de Nemours & Company was already a large purchaser.

"It was soon found that shavings could not be bought within this
365 price limit and by letter of June 26, 1918, here quoted, the contractor was authorized to pay 25% in excess of the base price of 4.22 cents, or a total of 5.275 cents per pound for shavings, delivered at Nashville."

And then follows the letter of the Procurement Division giving that authorization:

(The letter referred to is as follows:)

In replying refer to No. War. Ord. 4755–711E. Sym. PR. File P 471.867/1287

War Department,
Procurement Division,
Office of the Chief of Ordnance, Sixth & B Streets NW.,
Washington, June 26, 1918.

E. I. du Pont de Nemours & Co.,
Wilmington, Del.
(Attention of Mr. A. C. Price, Assist. to Director.)

Subject: Contract price on cotton shavings.

Gentlemen: 1. This will acknowledge your letter of May 23, 1918 (our file P471.867/1052), your file A. C. P., requesting that you be authorized to pay in excess of the 20% increase over the 4.22¢ price on cotton seed hull shavings specified in contract P 47550711 E, between the Ordnance Department and the du Pont Engineering Company for the operation of the Government smokeless plant at Nashville, Tenn.

2. This letter is for the purpose of authorizing you to pay for cotton
366 seed hull shavings a price not more than 25% in advance of the 4.22¢
price mentioned in contract.

3. This is in accordance with conversation between the officers of this division and your Mr. Price and your vice president, Mr. Connable.

Respectfully,

Procurement Division,
Samuel McRoberts, *Col., Ord. N. A.*
By (s) Chas. N. Black, *Lt. Co., Ord. N. A.*

Mr. Gregg (continuing reading):

"The contractor states that it was not realized for some time that the above letter and the contract itself made the price of 5.275 cents include delivery at Nashville, and shavings were purchased within the price limit of 5.275 cents per pound, f. o. b. point of production.

"The contractor states that under date of October 18, 1918, the Ordnance Department was requested to authorize an increase in the maximum price limit for hull fibre or shavings, this request being in the form of a letter, below quoted:"

(The letter is as follows:)

E. I. du Pont de Nemours & Co.,
October 18, 1918.

Major W. H. Gelshenen,
Procurement Division, Ordnance Department,
Sixth & B Sts., N. W., Washington, D. C.

367 Dear Sir: Confirming our conversation this morning regarding hull fibre and recommendations—that

1. We declare our policy.
2. Indicate a price we can pay for fibre.
3. Establish this policy and price upon as firm a foundation as possible, all factors considered.

We repeat and confirm our expressed view that this price should be 5¼ cents per pound, f. o. b. point of production.

We give below the estimated cost of producing fibre in large quantities at varying hull prices starting at $20.00 per ton down to and including $10.00 hulls:

Hulls at	$20.00	per ton, fibre cost	$7.14	per lb.
" "	19.00	" " " "	6.94	" "
" "	18.00	" " " "	6.69	" "
" "	17.00	" " " "	6.44	" "
" "	16.00	" " " "	6.19	" "
" "	15.00	" " " "	5.94	" "
" "	14.00	" " " "	5.69	" "
" "	13.00	" " " "	5.44	" "
" "	12.00	" " " "	5.19	" "
" "	11.00	" " " "	4.94	" "
" "	10.00	" " " "	4.69	" "

Since the price recommended is an increase over the price limit specified in contract existing between the Government and the du Pont Company, it is necessary that we secure your approval before contracting for fibre requirements.

Therefore, upon receipt of letter containing your approval, we shall proceed to buy.

368 Our plan will be to advise those experienced in, at present engaged in, and equipped to make acceptable fibre, without new construction or increased plant equipment, that we are ready to negotiate fibre contracts for a limited tonnage at a price of 5¼ cents per pound, f. o. b. point of production, fibre to be made under enclosed specifications, deliveries to be shown by months up to but not beyond June 1, 1919.

Very truly yours,

(s) F. L. CONNABLE, *Vice President.*

Mr. GREGG. There being no reply to that letter, the contractor followed it up with another letter on October 31, 1918. This letter is quoted.

(The letter is as follows:)

OCTOBER 31, 1918.

Major W. H. GELSHENEN,
Ordnance Department, Procurement Division,
Sixth & B Sts., N. W., Washington, D. C.

DEAR SIR: You have not yet advised us in writing of the authority to pay 5¼¢ for fibre. As the contract specifications limit to .0467¢ f. o. b. points of production, our records, to be complete, should have your written authority to pay 5¼ figure.

We advised you that certain purchases had already been made covering monthly deliveries up to August 1st, 1919. Is it your desire to have on file a record of these purchases as made with the sellers, naming the
369 quantities? If so, we shall promptly supply this information.

Yours very truly,

F. L. CONNABLE, *Vice President.*

Mr. GREGG (continuing reading):

"It will be noted that the contractor's letter of October 31, 1918, refers to the price limit named in the contract as .0467 cents but requests authority to pay 5¼ cents for fibre. The limit of .0467 is the unit price named in the contract for linters, and the contractor contends that the following letter from the War Department, dated November 5, 1918, erroneously refers to linters and that this letter was intended to refer to hull fiber or shavings."

Now, that last letter of November 5, 1918, from the Ordnance Department reads like this:

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
PROCUREMENT DIVISION,
WASHINGTON, *November 5, 1918.*

To insure prompt attention in replying refer to P. No. 471.857/1730; attention of Major W. H. Gelshenen.

E. I. DU PONT DE NEMOURS & COMPANY,
Wilmington, Delaware.
(Attention of Mr. Frank L. Connable.)

Subject: Cotton linters.

GENTLEMEN: 1. The Chief of Ordnance instructs me to authorize you that under the circumstances of the shortage of the crop in cotton linters
370 you may advance the limit agreed upon for the purchase of fibre from .0467 cents f. o. b. points of production to .0525 same terms and conditions.

2. The second paragraph in your letter of October 31st is noted, and it is felt that it would be better policy to spread the present orders over a greater number of producers and confine purchases to the next four or five months rather than to tie up with one or two purchasers for a long period. In this way the commitments of the Department at any one time will not be as heavy.

Respectfully,

W. H. GELSHENEN, *Major, Ord. Dept., U. S. A.*

Mr. GREGG. Now, it is perfectly apparent that that letter, in using the .0467 cents, was in error, because that was the price paid for cotton linters and the price fixed by the Government, and that in using that he intended to refer to hull shavings.

" The contractor states that the average cost of all shavings purchased was 5.5939 cents per pound delivered at Nashville.

" The contractor further states that to the best of its knowledge, the United States did not directly fix the price of shavings, but did indirectly fix it through the act of the Food Administration in naming a price of $20 per ton for cotton hulls, which was equivalent to a price of 7.14 cents per pound for shavings at point of production.

" The contractor contends that it purchased shavings at the lowest
371 obtainable price and in particular at less cost than the price for shav-
ings corresponding to the Food Administration's price for hulls; and, further, had the Ordnance Department been requested earlier to authorize an increased price, the authorization would have been given, as hull shavings had to be obtained. And this conclusion is justified by the approval which was given by the Ordnance Department on November 5, 1918, to pay 5.25 cents per pound f. o. b. point of production.

" The amount involved, viz., $42,354.98, was allowed by the Assistant Secretary of War under date of April 5, 1922, by the following decision:

" '1. Freight on shavings being a claim for $45,572.27 by reason of a payment by the contractor of prices for cotton shavings in excess of prices stipulated in article IV of the contract—allowed.'

" It will be observed that the amount allowed by the Assistant Secretary was $45,572.27, but the actual amount as it finally checked out was $42,354.98."

So that that item has been passed by the Assistant Secretary of War. [Continuing reading.]

" Question 2. Was this cotton bought from du Pont? "

I would like to explain to the board that while fibre and hull shavings were bought by E. I. du Pont de Nemours & Company, cotton linters, beginning in May 1918, were bought exclusively by du Pont American Industries, Inc., for the reason that along in April and May of 1918 the Ordnance Department
asked the du Pont Company if it would not become its, the Ordnance
372 Department's agent, for the purchase of all cotton linters produced in the
United States, it having become necessary at that time to take every step that it was possible to take in order to protect the supply of cotton linters, and also to keep a curb on the price. And the price that was established by the War Industries Board was .0467 cents per pound point of location or production. The du Pont American Industries was paid a small compensation per bale for taking up the linters. It had a force of inspectors in various places in the cotton producing sections, and maintained an office at Memphis, Tennessee. The cotton linters upon being taken up by the du Pont American Industries were then allocated by the War Industries Board to the various consumers in this country, and also to the various foreign governments who were acquiring linters in the United States.

Now coming to the last question:

" Question 2. Was this cotton bought from du Pont? "

"Answer. When the du Pont Engineering Company on account of its Old Hickory operations, became a prospective purchaser of shavings, it was decided that it would be unwise to enter the market as an additional competitor which might have had a tendency to cause sellers to increase prices, inasmuch as the demand at this time for cotton-hull shavings was in excess of the supply. It was, therefore, mutually agreed that E. I. du Pont de Nemours & Company would buy not only for its own requirements, but arrange to purchase such shavings as might be required by the du Pont Engineering
Company. Shavings for Old Hickory, as well as shavings for the plants
373 of the parent company, were ordered in accordance with a requirement
schedule which was revised from month to month, or oftener if necessary.

" The purchasing department of E. I. du Pont de Nemours & Company purchased millions of pounds of shavings, but such purchases were not made specifically for any plant or contract, but whenever shavings were required by E. I. du Pont de Nemours & Company or by du Pont Engineering Company, shipments were ordered by the purchasing department. Therefore, question 2 may be answered by stating that cotton-hull shavings purchased in connection with the Old Hickory operations were procured through the agency of E. I. du Pont de Nemours & Company and bills were rendered by E. I. du Pont de Nemours & Company for such purchases to the contractor.

" Question 3. Was there ever a readjustment on books of this excessive price and was credit allowed United States? "

Now, I am not going to take the time of the board to read all that, but I will try to state it as briefly as I can. Mr. Shafer calls my attention to the fact that this still relates to the $42,000 discussed above. Our answer to that is that the $42,354.98 was not refunded to the Government inasmuch as the Assistant Secretary of War held that it was a proper adjustment.

Colonel HULL. Mr. Gregg, right there may I ask one question. What profit, if any, did the parent company charge the engineering company for handling the linters and shavings?

Mr. GREGG. It did not charge any profit, I mean any profit in the end. I think I can explain this briefly without reading this all through.

374 E. I. du Pont de Nemours & Company had contracts with the Buckeye Cotton Oil Company, and the East St. Louis Cotton Oil Company for hull shavings, and some of those contracts contained provisions that the price should be adjusted toward the completion of the contracts, based on certain considerations, which I do not recall at the present time. If necessary I can furnish copies of the contracts. When we started to deliver shavings to Old Hickory, Mr. F. B. Connable, vice president of the E. I. du Pont de Nemours & Company, was then in charge of the purchase of hull shavings. Mr. A. C. Price, one of his assistants, wrote a memorandum to Mr. Connable asking him at what price he should bill hull shavings to Old Hickory, and Mr. Connable made a notation on the memorandum and sent it back, stating to charge 5¾ cents, subject to adjustment later. That price was charged by E. I. du Pont de Nemours & Company to du Pont Engineering Company, and was paid by du Pont Engineering Company. After the armistice, in the year 1919, Mr. Connable was taken ill, and has never taken any active part in the company since that time. I am right about that, am I not?

Mr. HASKELL. Yes.

Mr. GREGG. The adjustment of the price for shavings was overlooked, and when the auditors for the War Department were engaged on their work at Philadelphia they discovered that the du Pont Engineering Company had been charged over and above the actual cost of shavings to E. I. du Pont de Nemours & Company a total of $150,497.77. The amount last stated is the excess, including bank interest at 2 percent from the date each overcharge was made to the date the excess was refunded to the Government.

375 This excess was reported to us by the auditors at Philadelphia. We immediately took the matter up and went into it, found out that there had been an excess, and the total excess with interest was paid back by E. I. du Pont de Nemours & Company to du Pont Engineering Company and the amount credited to the Government.

As to cotton linters, the same thing happened there. Some cotton linters were turned over to the du Pont Engineering Company by E. I. du Pont de Nemours & Company prior to the time that du Pont American Industries started to function as agents for the Government in the purchase of cotton linters, and the same thing was done there. A certain fixed amount per pound was charged the Government subject to adjustment later. That adjustment was overlooked due to Mr. Connable's absence, the same as the excess on hull shavings was overlooked.

The total overcharge, including interest, in connection with cotton linters, amounted to a total of $157,976.03, which amount was paid back by E. I. du Pont de Nemours & Company to du Pont Engineering Company and credited to the Government.

" Question 4. Why were forty-seven carloads of cotton of a value of $83,000 shipped from Hopewell, a du Pont plant, to Old Hickory, on February 15, 1919?

"Answer. Through an error on the part of the consignors, the Buckeye Cotton Oil Company, of Cincinnati, Ohio, 45 cars containing shavings ordered for the old Hickory powder plant were shipped and delivered to E. I. du Pont de Nemours & Company, at Hopewell, Virginia, and when this error
376 was discovered the linters were reconsigned to the Old Hickory plant.
This error in shipment delayed the deliveries at Old Hickory until February 1919.

" The latter part of 1918 an order was placed with the Buckeye Cotton Oil Company, of Cincinnati, Ohio, for November delivery of shavings at the Old Hickory powder plant, but through a misunderstanding on the part of the Buckeye Cotton Oil Company, they were consigned to E. I. du Pont de Nemours & Company at Hopewell, Virginia. As soon as this error was detected, the Buckeye Cotton Oil Company was notified to stop further shipments to Hopewell and arrange for the diversion of all cars en route. Prior to the latter part of 1918 the cotton hull shavings purchased for Old Hickory were furnished by the East St. Louis Cotton Oil Company, but on account of their inability to supply shavings in the latter part of 1918, arrangements were made with the Buckeye Cotton Oil Company to furnish these shavings. The Buckeye Company had been shipping to Hopewell, Virginia, regularly and had theretofore never shipped any shavings to Old Hickory. This accounted for the misunderstanding of the shipping directions. The Buckeye Company admitted the error and absorbed the difference in freight charges. In other words, the Government only paid freight charges from originating points to Old Hickory, the excess freight charges resulting from the shipment into Hopewell and from Hopewell to Old Hickory were borne by the Buckeye Cotton Oil Company.

"It may be here stated that had these shavings been retained at the Hopewell plant, they would have been delivered to and charged to the
377 United States in the inventory of materials on hand at the Hopewell plant at the close of operations there. So that any inference that the du Pont Company was trying to unload shavings at the expense of the Government is without justification. The shavings that were shipped from Hopewell to Old Hickory were purchased for use at Old Hickory on du Pont Engineering requisition GOH–2128, copy of which is hereto attached, marked 'Exhibit 18.'

"Question 5. Explain this transaction.

"Answer. See answer to question 4 above.

"Question 6. Excess on cotton shavings of $42,354.98. Was this refunded?

"Answer. See answer to question 1."

I have already stated in here that it was not refunded for the reason that it was allowed by the Assistant Secretary of War.

"Question 7. Explain weights from du Pont American Industries of 1,000 lbs. to 2,468 lbs. per bale, on cotton linters, so charged to United States (see Agent Towles' report.)"

As I understand it one of the reasons for asking that question is that it was thought impossible that a bale of cotton linters could weigh as much as 2,468 pounds. In fact I have never known of one that weighed that much.

This is still part of the question [continuing reading]:

"The following is a list of apparent over-weights charged in shipments of cotton linters to the Old Hickory powder plant, as evidenced by documents in the possession of investigators for the Department of Justice:
378 "'Car D. L. & W. no. 34250 from Hopewell, Va. 2/20/19. 45 bales weighing 59,980, average 1,332 pounds to bale.

"'Car N. Y. C. no. 236165 from Hopewell, Va. 2/22/19. 51 bales weighing 76,144, average 1,492 pounds to bale.

"'Car R. F. & P. no. 2203, from Mangum, Okla. 11/7/18. 40 bales weighing 98,749, average 2,468 pounds to bale.

"'Car M. K. T. no 94333 from Dallas, Texas. 10/16/18. 24 bales weighing 24,000 pounds, average 1,000 pounds per bale.

"'All of the above from du Pont American Industries.'

"Answer. No standard package weight for linters or shavings has been established or recognized by dealers in these commodities and bales vary considerably in weight. The avoidupois pound is the unit on which trading is based and the public weigher or warehouse weight certificates are usually accepted by both sellers and buyers.

"Agent Towles' report, supplementary to your question, is apparently based on incorrect information, inasmuch as the following errors are apparent:

"The first two cars mentioned by him were not obtained through the du Pont American Industries, but from E. I. du Pont de Nemours & Company, and contained cotton hull shavings and not linters. The other two cars did contain cotton linters and were billed by du Pont American Industries.

"The shipments were as follows:

"D. L. & W. car no. 34250, from Hopewell, Va., February 20, 1919, billed by E. I. du Pont de Nemours & Company, no. 3205 (1919), contained 45 bales of cotton hull shavings, 29,980 lbs., which is an average weight per bale of 666 lbs. See bill of lading, exhibit 19, attached hereto."

379 The weight given by the Government is 59,980, as against our weight of 29,980.

Mr. Carnduff. That was the weight, Mr. Gregg, that du Pont paid for this cotton, but the vouchers in the possession of the investigators at Nashville show receipts of the other amount. Now there may have been some padding at Nashville.

Mr. Gregg. By whom?

Mr. Carnduff. A railroad employee on freight.

Mr. Shafer. A railroad employee on freight?

Mr. Carnduff. Yes.

Mr. Shafer. That is something I could not get into.

Mr. Carnduff. Possibly. We have the other figures, and you have yours.

Mr. Shafer. I have the bills of lading.

Mr. Carnduff. Well, these gentlemen have the other figures down there.

The Chairman. Would there be a possibility of a clerical error? I see it is a difference of only one figure.

Mr. Shafer. That is what I think it is.

Mr. Carnduff. No, there are various errors. These are four illustrations we gave them. Now our investigators at Nashville have these other figures on documents. The due Pont Company have their vouchers showing what they paid for on these identical cars. There is something wrong somewhere on these vouchers.

Mr. Gregg. Well, then, let me understand you. Do you mean to say that we paid for more linters and shavings than we got?

Mr. Carnduff. We don't know.

380 Mr. McLane. That is what we want you to tell us. We don't know what the facts are.

Mr. Gregg. That is what we are telling you.

Mr. McLane. We only know what the books at Nashville show, and what the papers there show. And we are asking you to find out.

Mr. Shafer. We brought our invoices to show.

Mr. Carnduff. We can eliminate all that by comparison after this meeting of the vouchers; we can get at the bottom of that. If I were you I would just skip all that now.

Mr. Gregg. I want to state this, that in every car that has been reported to us there is no bale that weighed over 700 pounds. And on the information that we have stated here we can prove by our invoices and cancelled checks that we only paid for the quantity of linters that we have here stated in our answer to the Government's question.

Mr. Cameron. And that you only paid the railroad freights at the weights that you just read?

Mr. Gregg. How about that, Mr. Shafer?

Mr. Shafer. I have made no attempts at checking freights in connection with these particular linters. It is not covered by the question, and that was not a question that was brought up before us.

Mr. Gregg. No; it is not indicated by the question at all.

"5. *Freight charges.*—Question 1. Was a reaudit or refund of excessive freight ever made?

"Answer. A reaudit of freight bills was made by the War Department, and refunds of freight overcharges detected by the contractor or revealed
381 by the Government audit or disclosed during audit made by the Railroad Administration, were refunded to the contractor, with the exception of overcharges in freight by the N. C. & St. L. Railroad Company, which claims aggregating $26,411.09 were withheld by the N. C. & St. L. Railroad Company on the grounds that its accounts with the United States were in process of adjustment, and it was not considered advisable to pay this amount to the contractor at the time. In this connection, it is well to state the method which was pursued by the contractor in handling freight bills.

"Freight bills were presented at the contractor's plants when materials covered by such freight bills were delivered. These freight bills were then noted with reference to the contractor's order numbers for identification purposes. The railroad companies made eight drafts on the contractor at convenient intervals attaching to such drafts statements of the freight bills covered, which drafts were honored by the contractor, and after the freight bills were received from the plants at the Wilmington office, they were checked with the above-described statements, and any discrepancies detected were taken up with the railroads for adjustment. At the Wilmington office of the contractor all freight bills were checked with the material orders or requisitions and the proper references cross reference noted for record. Each freight bill was given a serial number and entered on registers. The charges were then recapitulated

and distributed to the proper ledger accounts. After the contractor had completed the above process, the freight bills were transmitted to the contracting
officer of the United States who proceeded to audit same in any manner
382 that he desired. Upon the return of these bills to the contractor, the
freight bills relating to operating projects were forwarded to the traffic
department for audit as to rates.

"Construction freight bills were not subjected to an audit as to rates on account of the fact that the United States Government did not consider such an audit necessary or desirable. See letters hereto attached, marked 'Exhibit 23.'"

Those are both letters from the Government to us.

Mr. McLane. May I ask you a question there. If on construction freight a haul of 70 miles, at a price of $270 a car to $350 a car was made upon that shipment, that would not be checked at all by the du Pont Company?

Mr. Shafer. Not to a rate audit; no.

Mr. McLane. If it was $270 to $350 a car, and hauled for 70 miles, if it was construction it would not be checked?

Mr. Shafer. I do not doubt anything glaring has been checked up and seen by the Government or by ourselves, but we do not subject construction freight bills to a rate audit as we did to operating bills.

Mr. McLane. If that should be paid by Mason & Hanger, under the contract 5 percent was added?

Mr. Shafer. It would be if paid direct by Mason & Hanger. Not on any that we paid direct.

Mr. McLane. And that would never come to the notice of the du Pont Engineering Company, or the parent company?

Mr. Shafer. It would not by a rate check through the traffic department, because we did not check construction rates. We were instructed by the
Government not to.

383 Mr. Carnduff. He asked you if that would come to your notice.

Mr. McLane. We have evidence of freight rates of $270 to $350 per
car for 70-mile haul.

Mr. Shafer. Our traffic department functined on all freight bills on operating projects. We were requested not to do it on construction projects.

Colonel Hull. That statement was made here last May, and we thought that was one of the things to be checked up. Has any attempt been made to check it up?

Mr. McLane. Yes; the check has been made.

Colonel Hull. And the check shows we paid it?

Mr. McLane. Yes.

Mr. Stark. The Government audited all construction freight bills in their own auditing department in Wilmington.

Mr. Carnduff. How much money is involved?

Mr. Stark. I don't know.

Colonel Hull. How many cars were there on which that excessive freight was paid?

Mr. Stark. I suppose about 40 or 50.

Colonel Hull. Do You know how many?

Mr. Stark. No.

Mr. Gregg. Mr. Stark, have you examined our canceled checks to see as to whether we paid that?

Mr. Stark. Not yet.

Mr. Shafer. Are you sure we have not collected a refund?

Mr. Stark. I don't know.

Mr. Shafer. You know we overpaid on many of them and got refund.

384 Mr. Carnduff. Did you collect from Mason & Hanger the 5 percent
when you overpaid?

Mr. Shafer. Any payment that we made to Mason & Hanger that involved a commission—any such payment we paid and we always got it back.

Mr. Cameron. Mr. Shafer, you said that you were directed by the War Department not to audit freight rates.

Mr. Shafer. Yes.

Mr. Cameron. Do you recall by whom you were directed, or was that a written order?

Mr. Gregg. Copy of the letter is attached, exhibit 23.

Mr. Shafer. I will read it. It is short. [Reading:]

WAR DEPARTMENT, OFFICE OF THE CHIEF OF ORDNANCE

GENERAL ADMINISTRATION BUREAU

COST ACCOUNTING BRANCH, ACCOUNTING SECTION,

WASHINGTON

Wilmington, Del., April 1st, 1919.

From: Cost Accounting Branch, Accounting Section, Ordnance Department, du Pont Engineering Company.
To: Du Pont Engineering Company, Wilmington, Delaware.
(Attention W. H. Crouch.)

1. This is to inform you that it will not be necessary for your traffic department to audit the freight bills on various contracts here, after we have had them, as we have had a ruling from Washington stating that this should not be done by the du Pont Company, as they intended performing this function in Washington.

2. The main point of this is that the traffic department would not know, or be able to catch errors of rates that the Government is entitled to on all shipments.

3. Please acknowledge.

385 By (s) C. H. HARTMAN.
C. H. HARTMAN,
Supervising Accountant-in-Charge, Ordnance Department, U. S. A.

Mr. CAMERON. Mr. Shafer, at that time, however, the largest part of the expenditure had been made on freights?

Mr. SHAFER. Yes; but you must remember this, that after we had checked our freight bills with the accounting department they were sent to the Government to be checked, and the Government held those particular bills an awful long time. All of the operating bills did not come to our traffic department until after the war was over.

Mr. CAMERON. Would that be the reason that the du Ponts did not function as auditing the freight bills on construction?

Mr. SHAFER. Yes; as auditing the rates, yes; because we did not send the bills for checking rates to the traffic department until after they had been functioned on by United States auditors.

Mr. MCLANE. I am not sure that I understood your statement as to the N. C. & St. L. Railroad Company's freight rates. Is it admitted that they hold $29,000?

Mr. SHAFER. $26,000. I don't know whether they are still holding it. I suppose they turned it over to the United States.

Mr. MCLANE. They are still holding it.

Mr. SHAFER. Well, possibly they are. I cannot answer that question.

Mr. MCLANE. We claim $29,000. Your figures show $26,000, do they?

386 Mr. SHAFER. $26,000.

Mr. MCLANE. Do you know of any reason why that should not be paid back?

Mr. SHAFER. I don't know of any reason, but I don't see what difference it makes whether it is paid back to us or not. If it is paid back to us we will hand it back to the Government, or the Government will collect it from the railroad company through the Railroad Administration receipts.

Mr. MCLANE. It is admitted that the railroad withholds it illegally?

Mr. SHAFER. They are withheld by that amount of $26,000. I don't know whether illegally. I could not say that. I could not say that it was illegally held, because I don't know.

Mr. MCLANE. At least erroneously?

Mr. SHAFER. Erroneously—I don't know even that.

General WILLIAMS. Well, the same question was brought up before in May. Hasn't the Department of Justice had time to determine in these six months or seven months that have passed whether it was legally or illegally held?

Mr. CARNDUFF. We are asking the du Ponts.

Mr. MCLANE. We are asking the du Ponts because——

Mr. GREGG (interposing). No; you are not asking that question of us at all, about freight. The freight that you are talking about there now was not brought out in this question at all.

Mr. Carnduff. Well, we asked you the circumstances of the $26,000, and you explained them very nicely here.

Mr. Gregg. You did not ask us about the $26,000.

387 Mr. Shafer. I mentioned it in my brief.

Mr. Gregg. Yes.

Mr. McLane. The railroads state that they paid it and are charging it to profit and loss.

Mr. Shafer. Yes; and that will be settled with the Government, and in Railroad Administration affairs it does not make any difference whether we return it to the Government or the railroad.

Mr. McLane. Are there other accounts of similar nature?

Mr. Shafer. No; there are not. Those are the only freight claims that I know of that have not been settled.

Mr. McLane. What explanation is made to the general charge of tariff rates on cotton linters, etc., Birmingham to Nashville, of 53 cents to $3.53? And from Memphis, a rate of from 61 cents to $3.61.

Mr. Shafer. I am not prepared to answer that question. It is a question I have never looked into at all.

Mr. Anderson. Well, that is a question that you can take up later.

General Williams. Mr. Chairman, why should these questions be plucked out of the air? Why shouldn't some evidence of the fact be submitted?

Mr. Gregg. If they will be good enough to give us a list of the stuff they have there we will take it and check it out for them immediately.

General Williams. Why, Mr. McLane, when he asks that question, must have definite information concerning the particular items that are involved, and the circumstances under which he got it. Now it seems to me that the committee is entitled to that information concerning this question.

388 Mr. Anderson. I think, if I may suggest, that we ought to finish what we have brought out, and then these additional questions of Mr. McLane that came up this morning, and any additional points that we have to cover we take up with the du Ponts for more careful analysis before we go into them.

Mr. McLane. I can see no objection to asking these questions. If they are not prepared to answer them, certainly it will do no harm to ask. The information is not before them, and the gentleman stated that he does not know.

Mr. Gregg. Well, Mr. McLane, if we are going to do this thing across the table——

Mr. Anderson. These questions are being developed from time to time in the investigation, and a list of them was being made. Now we have given you as far as we have gotten, and we will give you others as they develop. You will be given the questions, and an opportunity to answer fully. But there is no use taking up time now and discussing them.

Mr. Gregg. I fully agree with you on that, Colonel. Let us have the data as soon as you can possibly get it to us so that we can go ahead and clean it up.

Mr. Anderson. Quite right.

Mr. Gregg. (continuing reading):

"Over-payment or under-payments of freight in connection with construction projects did not result in any loss or gain to the United States, inasmuch as overcharges paid to the Railroad Administration and reimbursed to the contractor were returned to the United States in the form of increased
389 receipts from the Railroad Administration, and undercharges vice versa
decreasing the Railroad Administration's receipts were offset by corresponding decrease in the amount expended by the contractor and reimbursable by the United States.

Freight in connection with operating projects, however, involved the factor of profits as follows: On all cost-plus contracts the contractor's profit varied directly in the ratio of cost at the rate of profit stipulated in the contracts. Profits in connection with the Old Hickory operating project, however, were affected in an inverse ratio, inasmuch as this contract provided that the contractor would benefit to the extent of 50 percent in any saving effected over and above a stipulated base price. Therefore in consequence of this profit factor, freight bills relating to the operating projects were subjected to audit as to rates, and claims instituted for overcharges.

"Question 2. Why was freight allowed to come in at excess charges?

"Answer. The Railroad Administration did not do business with the du Pont Engineering Company on a credit basis, and the best arrangement that the contractor could make was to accept the sight drafts of the various railroads for freight in connection with deliveries at the plants. It was impracticable to audit freight bills prior to payment and excess charges could not be detected until such bills had been subjected to audit."

I might state here that every business concern in this country handles its freight bills that way. At least we do. [Continuing reading:]

390 "Question 3. Was Mason & Hanger paid 5 percent on this freight?

"Answer. Under the terms of the contract entered into between the du Pont Engineering Company and Mason & Hanger, Mason & Hanger were entitled to receive 5 percent on the freight paid for such materials as were purchased and used by them in connection with the work performed for the du Pont Engineering Company at the Old Hickory Powder Plant. However, a large quantity of material consigned to Mason & Hanger was delivered to the du Pont Engineering Company at the Old Hickory Plant, and in such instances wherein shipments were accepted directly by the du Pont Engineering Company the freight charges were included in drafts drawn by the railroad companies for freight charges of the du Pont Engineering Company and were thus paid by the du Pont Engineering Company direct.

"In order to save accounting work, Mason & Hanger did not insist upon receiving a commission on freight paid by the du Pont Engineering Company, as described above, and consequently received commission only on such freight as was paid directly by themselves and included in their invoices to the du Pont Engineering Company. Affidavit of F. L. Rebout, who was employed by du Pont Engineering Company as chief clerk in charge of the freight-checking division, is hereto attached, marked 'Exhibit 24.'"

Mr. Cameron. Mr. Gregg, they were entitled to it?

Mr. Gregg. Yes.

Mr. Cameron. If they were entitled to it on freight in one category, they were entitled to it in the other?

391 Mr. Gregg. Yes.

Mr. Cameron. And they waived it?

Mr. Gregg. And they waived it.

Mr. Shafer. Because it was such an awful job to get at it.

Mr. Cameron. You have no record of how much they waived in the aggregate?

Mr. Shafer. I have not.

Mr. Gregg. We would have to check through all the freight bills to find out.

Mr. Shafer. Yes; and even then it would be very difficult to locate in some cases.

Mr. Gregg. (Continuing reading):

"6. Broadway motors.

"Question 1. Will contractor furnish a report of transactions with Broadway Motors, comparing prices charged United States for Chevrolet cars with current prices?

"Answer. On May 11, 1921, Mr. J. R. Peebles, Auditor for the War Department, presented to the contractor a memorandum alleging that the du Pont Engineering Company had paid invoices of the Broadway Motors Company on which cars, accessories, etc., were charged at higher prices than the prices charged to their general trade. Attached hereto is a copy of a report, dated October 30, 1921, marked "Exhibit 25", submitted by the Contractor to Major Farr, Special Representative of the Assistant Secretary of War, and accepted by him as a satisfactory reply."

392 Mr. Anderson. Is it a long letter? Would you wish to read that? As long as you have got the data there? Can you just state generally what it is?

Mr. Gregg. I will just state it generally, Colonel.

Mr. Anderson. I should think it would be just as well to do so, rather than to read the letter.

Mr. Gregg. Mr. Peebles thought that we had paid a greater price for Chevrolet cars to the Broadway Motors Company than the prices of the cars at that time. We went into it, and we found out that the prices of the cars were increased from time to time, and in no cases did we pay more than the list prices for the cars; in other words, we paid the market price for the car at the time we bought it.

Mr. Anderson. And your report shows that, does it?

Mr. Gregg. And our report shows that.

Mr. Anderson. Yes.

General WILLIAMS. Is that Major Farr employed by the Department of Justice?

Mr. ANDERSON. Yes, sir; in my office.

General WILLIAMS. It rather occurs to one to wonder why he was not questioned about this.

Mr. ANDERSON. He was.

Mr. CARNDUFF. He was. He was here at the last hearing, General.

Mr. ANDERSON. Yes; he was here at the last hearing.

Mr. CARNDUFF. I may say that I am satisfied on the Chevrolet question, and have been for some time, but, inasmuch as at the previous hearing witnesses disagreed with my view, I asked the question. I think the Chevrolet thing is all right.

393 Mr. ANDERSON. You must understand, General, that it is not really in the hands of the Department of Justice. It is before this committee. It never has been referred to the Department of Justice. It is before this committee for survey. Now we have made the inquiries, but all kinds of statements have been made here and elsewhere as to the handling of this contract. Now it is essential, and I think it is due the du Pont Company, and I assume they desire that any of those things that come to our knowledge should be brought to their attention to the end that they may reply to them. It does not necessarily mean that the Department of Justice thinks that they have been guilty of a criminal act or fraudulent act in bringing these things to their attention. If somebody should come and make a charge against me, I would thank the man who hears the charge for bringing it to my attention. And that is the purpose of this hearing, to permit both sides to be heard.

I have nothing to do with this investigation personally. I have not made it. But I do not think the men in the Department of Justice who are getting the evidence here, or getting the information for this survey, are meaning by asking these questions to imply that they think that the du Pont Company is guilty of a criminal act or a fraudulent act, but it is due the du Pont Company that any question that comes before them should be laid before the representatives of the du Pont Company to the end that this thing can be concluded. And I explained that to Mr. Gregg in a talk that I had with him, that I wanted to give him any information and let him answer, and get to the bottom of it.

394 Colonel HULL. Just one moment. I would say that the ordinary practice in the Army, which we usually have, is that where there isn't anything made out that way, that the records clearly show, why, we do not bring it up again for discussion. Now, here you have in this case, as I stated right on this, thousands and thousands of items where the examiners, or this man or that man, contested the legality or propriety of it, and it has all been threshed out. Now, do you mean to say that because that is in the record that we have got to bring it in and discuss it?

Mr. ANDERSON. Not at all; but you were at the hearing last May, and you heard the people make the statement about not being able to make the audit, and so forth. Now, the simple way to get through with it is to bring the question to the du Pont Company, and let them make the reply.

Colonel HULL. Why wouldn't it be more simple for the Department of Justice—they have investigated it—to stop it by simply saying: "This has been fully investigated. The answer is it is not true, and here are the documents to prove it", and stop taking it up.

Mr. ANDERSON. But this case is not in the Department of Justice.

Colonel HULL. I know; but when you have investigated it, or your representatives, couldn't that be done?

Mr. ANDERSON. If the committee desires to do that—they are at liberty to stop this survey whenever they get ready. But it is not in the Department of Justice. It never has been referred to the Department of Justice. It is
395 not a case that we have got jurisdiction of. It is simply a matter of survey under this committee.

As far as Mr. McLane is concerned, if anything comes to his attention at Nashville, even in an indirect way, he makes his own investigation as the officer of the Government in that district, and it is his duty to do it. Now, it may be that when he completes that investigation, or when these gentlemen are able to give him the facts on that point, he may find that this is without foundation. But it is absolutely desirable that this thing should be cleaned up.

Mr. MCLANE. I should like to make this observation, because it seems to be called for, that there may be others outside of the du Ponts who have imposed on the du Ponts, and by these questions I do not necessarily mean that the du Ponts have done anything wrong, or that any member or any company associated with them has. But there are others outside of the du Pont Company, other individuals.

Colonel Hull. The point I make—and I am not a member of the committee, I am simply an outsider looking in, and I have no right to be heard, except by courtesy.

Mr. Anderson. You will be heard just as long as you want to be, as far as I am concerned.

Colonel Hull. A while ago I was listening with great interest and found that you were discussing an item in which the United States had no interest whatsoever, namely, a stock dividend of the parent company.

Mr. Carnduff. We wanted to find out if the United States had any interests, because the salaries of the E. I. du Pont de Nemours & Company officials,
to which was added this stock bonus, were charged pro rata to the
396 du Pont Engineering Company, and naturally the question occurred
to us: If you are paying 50 percent of that man's $10,000-a-year salary out of Government funds, and you give him 58 shares of stock as a bonus at the end of the year, are you or are you not charging us, the Government, with half of that 58 shares of stock? The answer made is: "No; we do not." We are very glad to get that information. We cannot get it in any other way.

Colonel Hull. Was not that information on file in the record?

Mr. Carnduff. It was not. It is available only on the books of the du Pont Company, and they were good enough to throw them open to us, and we went down there last week-end and ascertained these things.

Colonel Hull. Well, take these questions that you asked on the Chevrolet matter. They have been asked a couple of times and the complete record and the complete answer are on file.

Mr. Carnduff. Very good.

Colonel Hull. Why ask the du Ponts again, if you satisfied yourself beyond doubt?

Mr. Carnduff. This Board of Survey is the judge on that question. No investigator of the Department of Justice is a judge as to the fairness or legality of the charge. The charge is made by reputable witnesses to us that the Chevrolet cars were credited to the Government at $50 above the market price. That was made by witnesses whose veracity and honesty of purpose is unde-
niable. We have that evidence. We find a record of the War Depart-
397 ment that some official of the War Department has found the price is
all right. The opinion of that official is satisfactory to the investigator, but it is not fair, it is not right to that investigator to decide the question, and we bring it up before this Board and let you hear it.

Mr. Anderson. And you gave that fact to the du Pont Company, and the du Pont Company knew it. I assume the personal responsibility to this extent, that wherever a thing was done under this contract, whether it was done by the du Pont Company or not, I requested Mr. Carnduff to give that fact to Mr. Gregg to the end that the du Pont Company might answer it and explain it and get it cleaned up once for all, and that is the only way I know to do it, except to make a complete survey. Mr. Gregg did not have to answer it, but he very courteously said he would answer every question we could ask him. I think that is the quickest way we can get at it.

Mr. Carnduff. It is quite conceivable, Colonel Anderson, that my judgment on one of these points as to its fairness or legality may not be your opinion or Major General Williams' opinion. He might differ with my judgment on that point; so therefore when I find the point I am laying it before the Board.

General Williams. Insofar as I am concerned, the agencies that were responsible to me in large part have passed on these things, and by my official action, where it was necessary for me to take it, I have approved their action.
Now, then, if it is not satisfactory to you, why go to it, do what you
398 want to. I don't care. It does not change my opinion in the slightest.
But you are bringing in stuff here that has been hashed over and over and over again, and what good does it do?

Mr. Gregg. I would like to make this remark in connection with the statement you made a while ago, Colonel, about giving us an opportunity to put upon the record a reply to all charges made. That is one reason why I should like to have a list of all the charges that were made at the hearing last spring, for this reason. I understand they have eliminated everything except those things contained in this inquiry. Now, we have replied to that. But there are other charges—or, rather, I say, if there were other charges made at that hearing, even though you eliminate them, then that record stands here with no reply by us, no refutation by us at all, and for that reason I do think that we are entitled to all the charges that were made against us. Let us make a reply to them. Let us have a complete record.

Mr. Anderson. I quite agree with you in that. I have never taken any other view. I have always taken the view that I would never proceed against any corporation or citizen of the United States without first giving him a chance to reply before I went ahead. I have taken that view all the way through. I quite agree with you on that. I think probably that if all the charges made in these discussions are not included in this inquiry that was submitted to you, they can be included in it, and probably eliminated, because they are regarded as completely answered in the record, or it is not necessary
to go further and take up time with them, or as not being of importance
399 sufficient to justify an inquiry.

However, I will ask this, that these gentlemen will submit to you any and all charges that they can, that they have, that they want information on, and give you a chance to give them the information, and give them the answer.

Mr. Gregg. In other words, Colonel, Government records stand for a long time.

Mr. Anderson. Yes.

Mr. Gregg. And I am not inferring—do not think for one moment that I am inferring that you are liable to institute a proceeding on something that we have not been given an opportunity to reply to. That is not the reason I made the suggestion. What I would like to do is this: I would like to have our answer to all charges that have been made. In other words, here are the charges made against you: Here is the du Pont's reply. That record will then stand in the War Department and the Department of Justice forever and a day, and nobody can bring it up later on and accuse you or your representatives that they made a charge, and you never took it up, that is, you never tried to find out whether it was true or false. Now, if we make a reply to every charge that has been made against us it not only completes the record on our side, but it makes a complete record for the Government as well.

Mr. Anderson. I think so, and I should follow that course.

General Williams. I think the du Pont Company should have a copy of
the record of the preceding meetings so that they may see exactly what
400 is on the record, all the statements that were made, and the charges
that were made. I think that is the only fair thing to do for the du
Pont Company.

Mr. Carnduff. We can only do that by permission of the Department of Justice.

Mr. Anderson. Yes; we can only do that by permission of the Department of Justice. I will say this, that I was very much embarrassed, and my plan of suggesting this hearing was entirely modified thirty minutes before the start of the hearing. I was going to have an open hearing and have each side thresh out each point right here before the Board.

Now, I quite agree with you, General, that I would right now, if I was perfectly free, take that record there and turn it over to Mr. Haskell or Mr. Gregg and say, "Read that over and see what you have got to say about it." That is the way I feel about it, and I think that that is probably what it will come to. But I have got to get authority to do that from the people that I am acting under. I am not the Department of Justice. I am merely acting for the Department of Justice in this matter, and I am acting under instructions.

Now, I will take that up, as I said this morning, and endeavor to obtain the consent of the proper authority of the Department of Justice to turn over that record, and say, "Take that record, Mr. Gregg, and read it over." I am willing to do that, because there is no mystery about my transactions. I am always ready to do that.

General Williams. I think such a star chamber proceeding as we had before is a travesty on justice.

Mr. Anderson. I would not say that. I would say that there are
401 hearings in the Department of Justice where you have to do that. My
first disposition was, when it was suggested that we sit here in secret,
to adjourn it over, but that would look like we did not want to have a hearing, and I said, "Go ahead." But I would not say that, General, because there

are plenty of hearings that are in executive session, both in private corporations and in Government activities.

All right, Mr. Gregg, have you finished?

Mr. Gregg. I am only going to take a few minutes more. I want to say in closing that the items now in dispute between the contractor and the War Department as as follows, on all the du Pont Engineering Company work:

Part of Mason & Hanger fee	$179, 259. 79

That was the decision by Mr. Wainwright.

Departmental charges of E. I. du Pont de Nemours & Company	126, 071. 30
Profit adjustment	52, 554. 29
Miscellaneous expenditures	19, 545. 58
Total	377, 430. 96

My purpose in asking the Secretary of War to send the Mason & Hanger matter to the Attorney General for an opinion was in order that we might get an opinion promptly, and if we had obtained that opinion promptly, I think we would have been closed up on these cases several months ago.

Mr. Anderson. Well, does anybody know why the opinion has not been given?

Mr. Carnduff. The Attorney General did render an opinion, and I have a copy of it here.

402 Colonel Hull. I move the opinion be read.

Mr. Carnduff. May 25. But I do not believe that is a matter that you care to put into the record now, Colonel.

Colonel Hull. Your imputation there would be that the War Department is free to act. It is not?

Mr. Carnduff. It is not free to act under that opinion; you are quite right.

General Williams. What is the value of the decision, then?

Mr. Anderson. All right, that is a question I haven't got a thing in the world to do with. That is a question for the Attorney General. That is a question entirely for the other branch of it.

General Williams. Well, then, we do not want to settle for this contract; is that the idea?

Mr. Anderson. I don't know, General. I have nothing whatever to do with the settlement of this contract. It is between the War Department and the Department of Justice. As I understand, the War Department requested an opinion from the Department of Justice. They made a reply. Now, what reply has been made to that I do not know. That is a matter that I haven't anything to do with. It does not come within my jurisdiction. It is an entirely different branch of the Department that gives the opinions on the advice of the War Department.

General Williams. Here we have had the Mason & Hanger question before the Department of Justice for one year and the bonus for two years.

Mr. Gregg. The bonus has not been.

403 General Williams. It has been before the Government officials for two years.

Mr. Gregg. Yes.

General Williams. If the Government is unable to move in the matter how are we ever going to settle the contract?

Mr. Carnduff. Could not the Government move at this time by accepting from the du Pont organization the $958,000 they admit they have? I can see no objection to suggesting to the contractor that he now pay this amount to the United States.

Mr. Gregg. Before you make final settlement with us?

Mr. Carnduff. Yes.

Mr. Gregg. No; we won't do it. We might as well get that on the record right now. Whenever the Government makes final settlement with us on these contracts we will return the moneys that are then due the United States.

Mr. Anderson. You admit that you are holding more than is claimed to be due?

Mr. Gregg. I don't know how much we are going to need, Colonel. If this thing keeps on going the way it has I don't know how much money we are going to need before these contracts are closed up, and I will not advise the du Pont Engineering Company to return that money until the Government settles with us. The contract of March 23, 1918, article VI (that is article VI of the contract of March 23, 1918, between the du Pont Engineering Company and the Government), provides:

"When the operation of the plant shall cease, or upon termination
404 or cancellation of this contract under article XV, the United States shall reimburse the contractor for all costs and expenses of every character and description incurred or made in, or connected with, the construction, equipment, or operation of the plant, or any part thereof, including the cost of all labor, freight, and all apparatus and materials purchased, whether delivered or undelivered, in connection with the construction and equipment of the plant or the operation or contemplated operation thereof; all obligations of the contractor incurred hereunder, outstanding at the date of such cessation or termination or which may thereafter arise, shall be assumed by the United States and the United States shall save harmless the contractor in respect of any liability whatsoever in connection therewith. At the option of the United States, the contractor shall assign or transfer to the United States, or its nominee, all contracts then outstanding entered into by the contractor hereunder."

And then it is further provided in article VI.

"If there shall remain due the United States from the contractor any sum theretofore advanced by the United States after all reimbursements and payments outlined in this article have been made, such sum shall be promptly returned by the contractor to the United States."

In other words, whenever the Government is ready to make a settlement with us, then we are perfectly willing, and in fact, anxious to turn back the unused funds that we have at that time, to the Government, but I do not know now, and I could not estimate now how much more money it is going to cost us until we arrive at a final settlement.

405 Mr. Carnduff. What further charges could you have, Mr. Craig, at this time?

Mr. Craig. I don't know.

Mr. Carnduff. What would be the nature of the charges?

Mr. Craig. I don't know.

Mr. Carnduff. Would it not be possible to turn in the undisputed amount?

General Williams. How are you going to determine the undisputed amount?

Mr. Carnduff. The amount, the balance, the cash now held by the du Pont Company. There can be no further charges. They can deduct from that any credits they think they are entitled to.

General Williams. Well, if you succeed in stringing this out for a year or two there will be considerable expenditures here.

Mr. Carnduff. I am not stringing it out, General. I have never strung it out; I have not delayed this case one day.

Mr. Anderson. General, I do not mean to criticise the War Department, and I do not think the War Department ought to criticise the Department of Justice. We are trying to get at the administration of the law, and I have not taken any notice of the criticism of the Department of Justice, but I really think that the records should show that their criticism is, in my judgment, without the slightest justification. We are trying to discharge our duty to the best of our ability. As far as I am concerned, this case has never been sent to the Department of Justice, and it can be closed today. It has
406 been in the War Department. It is in the War Department. It has never been out of the War Department. And the War Department handles it any way it pleases. I hope it is definitely understood that I am here trying to help, under the instructions and Executive order of the President, to survey a situation which was referred to us by a joint board of the two departments. I am trying to carry that survey on and make the investigation in such a way that it will be conclusive and final in the interests of everybody. But this case has never been referred to the Department of Justice. It is not in the Department of Justice. It is not within the jurisdiction of the Department of Justice. And the War Department can close it any day it wants to close it.

Colonel Hull. I am sorry, Colonel, but the record——

Mr. Anderson. Let the record speak for itself, but that is my understanding.

Mr. Carnduff. I would like to reply to the allegation as to prosecutors for the Government at this end of the table. Mr. Cameron and myself have been charged with the duty of presenting facts to this board. We have in no sense at any time regarded ourselves as prosecutors, nor giving any opinion of the justice or fairness of any of these charges; we have merely laid them before the board for such action as it may deem proper. It is true Mr. McLane is the district attorney, and as such functions as prosecutor. He has not taken any action in that regard in this case to date.

Mr. ANDERSON. And he is giving the time, at my request, to the end that he might assist us in getting at the matters.

407 Mr. GREGG. I might state for the information of the board, that in June and July——

Mr. ANDERSON. Just a moment, Mr. Gregg. Mr. Carnduff, will you kindly find out where that matter stands in the Department of Justice, and get it reported out of there as quickly as possible.

Mr. CARNDUFF. The Mason and Hanger fee?

Mr. ANDERSON. No; whatever information has been requested by the War Department, get a reply to it this week if you can, and then the War Department can close this case whenever they get ready.

General WILLIAMS. Can we not get an opinion on the bonus question too, and get a decision on that?

Mr. CARNDUFF. Is it my instruction to cease to function in this case?

Mr. ANDERSON. No; you have no instructions at all; I do not mean to give you instructions to cease to function. It is for the board to decide. I assume that this committee will make its report, and the joint board can do what they please with the case. I understand now that the War Department has requested the Department of Justice for certain opinions, and if such request has been made will you follow it through, find in whose hands it is, and get an opinion sent back over there so the War Department can go on and close the case up, as far as I am concerned.

General WILLIAMS. It seems to me it is very desirable, if the War Department has authority to close that—I understand that authority is disputed, that we have not the authority to close it up, but when it is closed
408 why then there will be something for us to proceed on. It will be out of our hands anyway. And so far as I am concerned I shall be delighted to get it out.

Mr. GREGG. And so would I.

General WILLIAMS. Anything that I have to do with it—delighted.

Mr. CARNDUFF. Well, General, would not the opinion of this Board now to be rendered decide who is to close this case?

Mr. ANDERSON. This is all that this Board can do. Gentlemen, there is a joint board of the War Department and the Department of Justice established by Executive order for the purpose of making surveys of the gravest questions that come up of this character. That joint board referred this matter to the subcommittee consisting of the Assistant Secretary, General Williams and myself, and I think on my suggestion it was decided instead of having an audit, to have a hearing and let people tell what they knew about it. And that has gone on—been delayed by my engagements in other matters—and now reached the very point which we reached this evening. All that this committee can do is to refer this matter back to the joint board of the two departments with recommendations.

But if, on the other hand, while that is going on the War Department, in its functioning in its ordinary way, has requested the Department of Justice or the Attorney General for an opinion, and that opinion has not been completely given, then let us get that opinion. Then let the War Department deter-
409 mine what it wants to do with this case. It has never been taken out of its jurisdiction. It has merely been surveyed under a joint board, and the Department of Justice has no jurisdiction over it, except to the extent that I am a member of that joint board, and I have requested certain officers of the Department of Justice, including yourself, Mr. Carnduff, and Mr. Cameron, to get up any facts they can get for the information of this Board. That is all. You are acting at my request to get information for the board. We are not here further than to make a survey.

Mr. CARNDUFF. I would like to put one more item of information on the record of this board, and I will therefore ask Mr. Cameron to give an opinion as to the minimum amount of time and the minimum cost of an entire investigation and audit of the Old Hickory transaction, as far as he is able to.

Mr. CAMERON. You are asking me a big question.

Mr. CARNDUFF. I know. I advised you of that question this morning. Now just give the Board your best judgment.

Mr. Cameron. To make an audit of this?

Mr. Carnduff. An audit and investigation of the entire Old Hickory transaction.

Mr. Cameron. Well, I think it should be said that to make such an estimate we would have to exemplify what it means to make an audit. We all know that an audit is to make a review. We know that a review, or the scope and depth of the review is regulated by conditions precedent. In this instance I would suggest that it means to verify the validity of transactions growing out
of these contracts. In my estimation if good accountants were asked
410 to make an audit, under the conditions precedent, I feel that it would
be an expenditure at the minimum of about 150 to 175 thousand dollars.

Mr. Carnduff. And how long would it take?

Mr. Cameron. It is all a mere estimate, but it could not be done without a year's work.

General Williams. Your estimate is more moderate than ours, I believe.

Mr. Anderson. Somebody estimated two years.

Mr. Haskell. How much did your last audit cost?

Major Booton. $270,000 to the Government alone.

Mr. Cameron. Yes; but we would have the advantage of that audit. An audit now would reap the advantages of a portion of the audits made before, and the audit now would not go to the details that all previous audits went to. That is the minimum. It would not surprise me at all if it went to from $150,000 to $250,000.

General Williams. I should not be surprised either.

Mr. Anderson. Well now, it was suggested in the original inquiry of this matter that there should be a re-audit. I stated that I did not believe that the Government ought to spend that amount of money, and that a preliminary survey, in my own judgment, could accomplish the substantial results of a re-audit, and I believe it was as a result of that suggestion that this matter of survey was taken up in this particular case.

Now I am perfectly willing, if the committee desires, to drop that suggestion,
and close the case if you want to do it, or to make a reaudit, if somebody
411 thinks it ought to be done, and the Government consents to go to that
expense. I personally am not in favor of it. We have gotten a good deal of information in direct response to direct questions. There may be a good many other questions that we want to submit to the du Pont Company, and I have not been able personally to go into the matter at all. And while you are at it, in my judgment it would be wise to clean it up. But if anybody does not want to clean it up, I mean if you want to settle the balance due on the present basis, it suits me.

Mr. McLane. I would like to ask Mr. Stark, who has made some investigation at the plant, what his idea of the investigation is, and what the amount of the recovery would be from erroneous and divers charges that have been made, perhaps through the du Pont Engineering Company, perhaps through other companies that they are not directly responsible for. If you will make a statement, Mr. Stark?

Mr. Haskell. Colonel, what would you expect to gain by a re-audit? What sort of information would it disclose, and how much money would it save the Department if it disclosed something?

Mr. Anderson. Mr. Haskell, I have no idea. The case was referred to me on rather general charges that there had been irregularities in connection with the carrying out of a settlement of this contract. It was brought in such form, and with the suggestion that there should be a re-audit, that I stated that I preferred to have it go to this Board for survey in advance of a re-audit.

Now, the purpose of the survey was really to find out whether there
412 were any such conditions as demanded a re-audit.

I did not see then, and I cannot see today, why this question could not be closed up by a special investigation of any points as to which there is any doubt, as I would do with you if I had a business transaction with you. Now, that is what we have been asking Mr. Gregg to give us information on, and if there is any further information desired on any of these points as to which I don't know, the thing to do would be to go through and look over your accounts on that point. There is no use in going back through all of them, it seems to me. In other words, if 95 percent of the questions have been settled, I cannot see any reason for having a re-audit to settle 5 percent, and that is what I have been trying to avoid—the expense of it. I am frankly a little confused in the case, because it is so enormous, and there have been so many statements one way and another. I have not been able to study the record. ,

Now, as I understand, Mr. McLane, you asked Mr. Stark a question and you wanted him to answer it.

Mr. McLane. Yes; on the question of what it will cost, and Mr. Stark's idea as to the amount of recovery there would be. I would like to hear him on that question.

Mr. Stark. I cannot answer that, Mr. McLane. I have not a paper with me. We could get back consideration, I am quite sure, on freights alone.

Mr. Gregg. Well, would that be any saving to the Government, Mr. Stark?

Mr. Stark. I think it would.

Mr. Shafer. In what way?

413 Mr. Stark. It doesn't make any difference to me whether it is Government or Railroad Administration or anything else.

Mr. Shafer. That is just the point. If it is just a question of the Railroad Administration, the Government, if you would make a recovery it would not make any difference to the Government.

Mr. Stark. But it is getting it out of a private organization.

Mr. Anderson. How much would it cost to make a real investigation, Mr. Stark, along the line that you would make?

Mr. Stark. I would say $100,000 or more.

Mr. Anderson. Take about a year?

Mr. Stark. Practically.

Colonel Hull. And the recovery would be mainly against the Railroad Administration?

Mr. Stark. On freight and on discounts and overpayments.

Mr. Gregg. Well, now, you speak about discounts. Do I understand from that that you take each and every case where we do not take a discount on a bill within the time?

Mr. Stark. Yes; if you do not take your cash discounts.

Mr. Shafer. It was not required.

Mr. Gregg. Mr. Stark, it would have been impossible for us to do it during the war. And, furthermore, we were not required to.

Mr. Shafer. We were not required to.

Mr. Gregg. And it was impossible to do it. We could not do it without the expenditure of too great an amount of work

414 Mr. Stark. And then the Government was to lose all that cash discount?

Mr. Shafer. They agreed to.

Mr. Gregg. The Government lost money in a great many ways due to conditions that existed in 1918.

Mr. Stark. That is true.

Mr. Gregg. If we can only bring ourselves back to 1918 and appreciate the conditions that existed in 1918! Not now; not in 1920 or in 1921 or in 1923 or in 1950, but what we were up against in 1918.

Mr. Stark. Yes.

Mr. Gregg. We did things at Old Hickory, we did things at Penniman, we did things in connection with our own plants in 1918 and during the war that we would never think of doing in peace times. But why did we do it? Conditions were such that we had to get the product out, and you had to get men wherever you could get them. It was not a case of selecting your men. You had to take what you could get. And day after day here in Washington we were down before the draft board trying to hold men to keep them on the work. And if you are going to look at this whole matter on the basis of a transaction during normal times, that is one thing. But if you are going to look at it on the basis of the conditions that existed in 1918, and you do know that the courts take into consideration such conditions—if you are going to look at it under the conditions that existed in 1918 then you have an entirely different situation.

Mr. Anderson. Now may I suggest this, to conclude this matter: May I suggest this course, that if there are any additional questions or any
415 matters requiring additional information which can be furnished by the du Pont Company, that any gentleman who has been investigating any of those questions as to which he desires information, if he will let us have it in the form of an inquiry promptly—that is when I say "let us have it", I assume this Board will pass on it, and we will submit it to Mr. Gregg of the du Pont Company, get his replies which he can submit here to us, and

then let this committee report on this case to the Joint Board and let them dispose of it. If there are any questions then remaining to be investigated, or as to which they are not satisfied, they can either conclude the matter and file it, or send it to the Department of Justice to complete that investigation of those specific points. But I see no reason why the matter should not be pretty promptly concluded, so far as the settlement of this contract is concerned, if we can get the information in that form. And I do not see any reason why we should not.

Now, when it comes to other phases of the matter which are not before this committee for survey, why we do not want to delay our disposition of this question for other things.

Could that be done, do you think, Mr. McLane, or Mr. Carnduff? Could you submit any questions for additional information that you desire from these gentlemen?

Mr. Carnduff. I have no additional questions to submit. I have taken the matter up at Wilmington last Friday with counsel and accountants of the contractor, in company with Mr. Cameron, and I have no more questions to ask at this time, no more information to request, and as far as the War Transactions Section is concerned, which excludes the district attorney at Nashville——

416 Mr. Anderson. Of course his function is entirely different.

Mr. Carnduff (continuing). His being an entirely different function—I am entirely ready now to submit this matter to the Board for its opinion, judgment, and directions. I am very anxious to see the $958,000 now returned to the United States, and the expense of the contractor at Wilmington, which I am told is approximately $700 per month, discontinued immediately.

General Williams. If we close the case we will discontinue all expense, will we?

Mr. Carnduff. Yes, sir.

Mr. Gregg. And nobody is any more anxious to do that than the du Pont Engineering Company.

Mr. McLane. If this committee will hear me on that one question. It has been suggested here, and the fact is that the Department has been criticized because of investigations of certain lines that apparently would disclose irregularities. When we were here in May I insisted then that an investigation along special lines be made. Mr. Carnduff, Mr. Cameron and I signed a recommendation to that effect. It has not been done, because this committee did not act and did not authorize it. I insist, and I state here publicly now that there are certain lines that lead to fraud in my opinion. Those lines I cannot tell you now because I have no means of making an investigation as district attorney. The only power is this Board. So I am informed.

General Williams. Well, haven't you the authority as district attorney to investigate any of this?

417 Mr. McLane. I have not; no, sir.

General Williams. You have not the authority?

Mr. McLane. I have no authority. I have no way of making it. It is purely here, and it is for that reason that I have appeared before you. I was criticized when I came here before because of that thing. Now I am here now saying that there are certain things, in my opinion, that lead to frauds, not perhaps by the du Pont Company, but by other people who did business with them and perpetrated frauds upon them. We are daily in my district prosecuting small frauds and expending large sums of money in the prosecuting of criminal acts. I do not now charge that the du Pont Company is responsible for those frauds, but I say someone has perpetrated the frauds, and this Department has paid for them.

Colonel Hull. I want to say just a couple of words on the record, if I may, and that is that as a member of the Joint Board of Survey I was entirely in accord with the statement of Colonel Anderson that the purpose of this survey was to get down to specific cases, and probe the work that has been done heretofore, and discover whether additional expense should be made by the Government to try to run down frauds or recover money, or to punish any person that has been guilty of any crime. We, having had a re-audit at an expense to the Government of over $300,000, taking up several years, it was not wise or it was not good administration on the part of the Government to audit out of hand on the same old charges coming up, many of them that had been investigated in the past three years—to order again an
418 expenditure of $300,000 and the expenditure of a year's time. And therefore, instead of having a re-audit, that we would have a survey and

that specific items would be brought up, and the past work would be tested. As I understood at the closing of the last hearing in May, these specific items that had come to the attention of the Department of Justice would be investigated, and they would go to the vouchers and find out whether you had been correctly or incorrectly informed as to what had taken place. Today is the first time that I have heard that three of you had signed a report and requested authority from the Joint Board of Survey to go ahead in getting up those specific items and in testing them. That was not brought to the Joint Board. The understanding was that if there was anything specific you would report it, and the War Department stood ready to help you, and the du Ponts would open the books.

Mr. McLane. If I remember right you are incorrect as to that, but it was understood that the Department had stated that it would not proceed along the line that you suggest, and authorized and instructed Colonel Anderson not to proceed along that line, and that was the cause of the hearing breaking up other than was the plan. That is my understanding.

Mr. Carnduff. Mr. McLane, we did not sign any report to the Joint Board. We never made any report.

Mr. Anderson. No. Well, hasn't this investigation covered the questions submitted in your report, your recommendations to the Department?

419 Mr. Carnduff. They have been investigated. They have not been audited. The vouchers have not been examined. We have no corps of accountants to do that with them until we are authorized to employ them.

Mr. Anderson. Well, I think we can probably get that situation cleared up by going to the record and going over it. In any event, Mr. Gregg has submitted answers now to the questions submitted by you; has he not?

Mr. Carnduff. He has.

Mr. Anderson. Now, if there are any other questions or any other points or charges made in the testimony taken here in May, and assuming that I cannot get authority to turn over a copy of that testimony to the du Pont Company, as stated, would you go over that, and if there are any additional charges make a list of them so as to submit them?

Mr. Carnduff. That would be a useless procedure, Colonel. We have already carefully gone over the testimony of the previous hearing of this Board, and have collected the principal items upon which we desire information, and have submitted them in the questionnaire answered today. I have no further questions on the part of your Section, the War Transactions Section, to ask of Mr. Gregg. I have not had the opportunity as yet of reading his answers and exhibits which were filed today. But I understand thoroughly and fully that he has answered all our questions presenting the contractor's side. I have no further questions to ask, no other testimony to submit to this Board, and I am willing to rest.

Mr. Cameron. May I say a word? I will only take a short time. I am going to earnestly try to throw some light on this as I see it. Charges were made that grave overpayments were made in freights. Only a few 420 items were described and handed to the du Pont Company's representatives. The du Pont Company's representatives reply and say, "You are in error. We did not pay those freights. We are going to submit vouchers, and we are going to show you that we did not pay the freights as you state at these excess weights."

Mr. Gregg. No.

Mr. Cameron. You at least say that your vouchers show that they were not the weights.

Mr. Gregg. That they were not the weights. What these questions that you submitted brought out and indicated was that we had paid for more shavings and linters than we got.

Mr. Cameron. They naturally would. Now, there must be some little further work upon the part of us who are assigned to this work to make some comparisons, and to take up these instances and see if we can find what they actually paid by getting the checks and vouchers. But will it not resolve itself to the point of whether or not these gentlemen are merely submitting these five or six or ten instances with respect to the freights, or is it to be understood that this is a mere sample that we are showing you, and that we feel—that the gentlemen who are bringing these charges, or bringing these instances, we will call it, of errors to your attention, feel that we should make a complete audit, or that we should run down those few points. And do they indicate that we should make a complete audit of the entire du Pont transactions by virtue of these transactions? I take it, Colonel Anderson, that that will be the issue finally, will it not, before the joint board? And I would like to get from Mr. McLane while he is here—I do not have 421 the opportunity to interview him often—a statement as to whether it is the idea that these are mere samples, and that these charges really made to Mr. McLane mean that there were grave manipulations in freight rates, and that we are handing you these few samples?

Mr. **McLane**. Yes.

Mr. **Cameron**. And do I understand, Mr. McLane, that you feel——

Mr. **McLane** (interposing). There are many charges. These are only one or two isolated instances just to show you what we expect. There are many charges of that nature, many bills and waybills that we examined leading into the thousands.

Mr. **Cameron**. Now in summing up, Colonel Anderson, you are shown by the du Pont Company that there are over a million freight bills.

Mr. **Anderson**. Yes.

Mr. **Cameron**. Therefore we are faced with the question as to whether or not we are to make a reaudit of the million freight bills upon the evidence presented.

Mr. **Anderson**. My impression off-hand would be that in view of the fact that during this period the Government was operating the railroads, unless it were shown that the Government sustained an actual loss as a Government, and not one department as against another, I would not bother with it one way or another. That would be my opinion.

Colonel **Hull**. Unless you can prove fraud.

Mr. **Anderson**. Yes.

Mr. **McLane**. It has been shown that five percent was paid upon 422 freight bills, upon overcharges, and those construction bills are the large freight bills that we complain about.

Mr. **Anderson**. That may involve a very serious question.

Mr. **McLane**. Now five percent of that, at least, was overpaid. Now we charge that there are gross frauds in the manipulation of those freight bills. Whenever a 53-cent freight bill from Birmingham, Alabama, to Nashville, Tennessee, makes $3.53, and when there are shipments being made daily by the trainloads, running all the time, almost continually, then the amount of freight goes into the millions of dollars.

Mr. **Anderson**. Yes.

Mr. **McLane**. Now, when that is shown, why $3 extra would not be added to freight bills unless some man was profiting by it.

General **Wililiams**. Does your evidence indicate that that was a general practice?

Mr. **McLane**. I would say 75 percent of the freight bills from Birmingham, Alabama, to Nashville, Tennessee, I have been told.

General **Williams**. That they received that kind of a raise?

Mr. **McLane**. Yes, sir. And Memphis the same way, on cotton linters. There were large shipments from Memphis, and large shipments from the South of lumber, and Birmingham being the central point, there were large shipments of iron and coal and other things. Those items are there to speak 423 for themselves. Now I say that to pass that kind of investigation and say, "Well, it is being taken from one hand and put into the other", without seeing why those charges are made—the Government is doing itself quite an injustice.

Mr. **Anderson**. I quite agree with that view, where apparently there has been a raising of freight bills. Probably by railway agents. There was a great deal of that kind of thing during the war. Now, Mr. Gregg has explained that they did not undertake to check the rate of charge, but paid on sight draft. Now, it might be that that was a fraud operated, and somebody returned 53 cents to the Railroad Administration, collected $3.53 from the du Pont Company, and put the $3 in their pocket. It may be something of that kind happened, and it may be something was lost on that.

Mr. **McLane**. I know one railroad official who is well up on freight operations, who has offered to make an investigation on one percent of the recovery to the Government. That he would put in his own force. And he would make it free of charge to the Government if they would give him one percent of the recovery.

Mr. Haskell. Yes; but who would he recover it from? He would recover it from the Government.

Mr. Anderson. No.

Mr. Haskell. Under this contract.

Mr. Anderson. No; it would be this way, Mr. Haskell——

Mr. McLane (interposing). And I do not make that proposition.

Mr. Anderson (continuing). The du Pont Company may have paid
424 money which never went to the Government at all. For instance, suppose
an agent were to raise the rate and had drawn on you for the money, and you paid $3.53, when the rate was 53 cents, and he put the $3 in his pocket.

Mr. Haskell. Then you have to go after the agent, not the company.

Mr. Anderson. Yes; but you would have to go after somebody. There was a fraud, undoubtedly, if such a condition existed. If the company had no way of checking it, and according to what Mr. Gregg stated there was not any way, there would be no responsibility on the company, but it would be a question of locating who got the money.

Colonel Hull. May I say a word?

Mr. Gregg. Just a moment, please. I was going to say this. It is a question of some agent down there getting graft and all that sort of thing. I do not see why that should hold up the closing of the contracts between the Government and the du Pont Engineering Company. You could go after that fellow any time.

Mr. Carnduff. I agree with you precisely. Turn over the money.

Mr. Gregg. Well, when you settle with us; yes.

Mr. Shafer. About this freight situation. The Government themselves checked and audited the freight bills in the Wilmington office; that is, the Government's auditors themselves took them over and checked them.

Mr. Anderson. Did they check them for rates?

Mr. Shafer. It is none of my business what they checked them for. They checked them for everything. They kept them for months.

425 Mr. McLane. That is what I am asking, an investigation to see what they did do.

Mr. Shafer. I want to say something else. That Peebles, who was the contracting officer, spent a year and a half, I think, checking freight bills in the Wilmington office, in addition to the audit they had previously gone through.

Mr. McLane. Yes; I remember Peebles' testimony, and he said he checked one voucher out of ten.

Mr. Shafer. I don't know how many he checked, Mr. McLane.

Mr. McLane.. He testified he checked one voucher out of ten.

Mr. Shafer. He had them all to check.

General Williams. What proportion did you check, Mr. McLane?

Mr. Shafer. What I wanted to say was this, that all operating freight bills were carefully checked by our traffic department for rate overcharges, and any rate overcharge that we found, irrespective of any audit which the Government has made, we made claim for, and collected wherever such claims were collectible.

General Williams. I was wondering what proportion of all the freight bills you have checked that leads you to believe that 75 percent are fraudulent?

Mr. McLane. I have not. I have Mr. Peebles' results and the results of such men whose investigation I rely upon. I have not seen one voucher, I don't think.

Colonel Hull. I want to ask this question, Colonel Anderson. If you have got a thousand cases where the rate has been raised from 53 cents to $3.53, you have got pretty near enough to go ahead and determine who are the
426 people that could possibly profit by it, as well as if you had a check up
of a million.

Mr. McLane. That is true.

Mr. Shafer. We did not check up the agents.

Mr. McLane. I haven't got the power to go outside of my district. The books and papers are in Wilmington. It is up to you gentlemen of this Board.

Colonel Hull. Last May I said emphatically to you that if there was any information you wanted out of the vouchers, if you would let me know I would get it for you.

Mr. McLane. I understand that. I have no auditing force at all, and any auditing force that is sent to me has to be from the Department of Justice. Now, the Department of Justice says, "Wait until this Board acts."

Colonel HULL. If you have got a thousand cases that have been raised from 53 cents to $3.53, those can be verified very promptly from the Government vouchers on hand, and you can determine from 1,000 instances as well as you could from a million what freight agents or what people got that graft. A thousand instances is as much as you can expect to get in any case.

Mr. McLANE. I came here to this Board and to this Department for the purpose of having them obtain it, asking that it be done some time in May.

Mr. SHAFER. Mr. McLane says that in about 75 percent of the cases there are overcharges. Now, if that is true, and if there are 75 percent of cases out of a million with an overcharge, it would be an enormous amount of money, and it seems to me it would be a great reflection on the Government
427 auditors that checked them to let them go through. The Government auditors who assumed the responsibility for auditing the freight bills.

General WILLIAMS. What assurance have we that the next auditors will be any better?

Mr. McLANE. I believe you assume responsibility for issuing the order for ten percent.

General WILLIAMS. Yes; I took that responsibility.

Mr. McLANE. I understood so.

Mr. HASKELL. Granting for the sake of argument that that condition did exist, closing this contract would not close the door for a proceeding against anybody who committed a fraud, or anybody who got any graft. You could do that after the contract was closed, or any time within ten years you find out about it; isn't that right?

Mr. CARNDUFF. That is why I suggest that you return to the Government the amount of money that you have admitted that you have.

Mr. GREGG. You say "return it"; but you say, "no; we won't settle the contracts." If we return the money, why, then, won't you settle the case?

Mr. CARNDUFF. What will there be to settle?

Mr. GREGG. Well, we have got to have a settlement contract here. We have had it in every case that we have with the Government.

Mr. CARNDUFF. Why not return this money in the interim, and any settlement can then be adjusted?

Mr. GREGG. No; we won't do that, Major.

Mr. HASKELL. If we were willing to do that we would not have needed any advance in the first place.

428 Major BOOTON. I would like to inquire the nature of the vouchers that have been found that have shown these overcharges. Are they the railroad-company vouchers, or the vouchers in the plant?

Mr. STARK. I couldn't tell you that, sir. I haven't seen those vouchers.

Major BOOTON. Because if they are we can very easily establish where they were obtained from and check them with the corresponding ones, of which there will be any number. It would be a very simple matter even by correspondence to get a check on them, and as a matter of fact I will volunteer to handle the matter and straighten them out. If I can have a few samples I will find out whether they check out or not.

Mr. ANDERSON. Well, suppose we leave it that way. I have got a pretty busy day tomorrow, but I want to get this case disposed of. Will you be here tomorrow, Mr. McLane?

Mr. McLANE. Yes.

Mr. ANDERSON. I would like to have you stay. Whatever we are going to do I want to get it started now and do it and finish it. And I mean by that, even though it does not relate to the immediate matter before this commitee, when this record is written up we can meet and make our report, but I would like to get this whole thing cleaned up and if you could be here tomorrow, I can telephone you, Major Booton, as you are familiar with the method of handling, and get you to come over there to see what is necessary, and where to get it.

Major BOOTON. I will be very glad to, if I can see where the documents are.

429 Mr. ANDERSON. Suppose we let it stand that way, General, and I suggest that we adjourn this hearing with the understanding that——

Mr. McLANE. Those records are not available.

Mr. ANDERSON. They are not here?

Mr. McLANE. No, sir.

Mr. ANDERSON. When could you get them up here, do you think?

Mr. McLane. I don't know. I think you had better send a man for them. The records are so scattered, as I understand it, and a man would have to make that investigation.

Mr. Anderson. Well, I will talk that over with you tomorrow, and make some plan to get that end of it cleaned up.

Mr. McLane. I want to get on record right here before this adjournment that I earnestly insist that certain special lines of investigation be made. I want to have it appear in this record.

Mr. Anderson. What lines?

Mr. McLane. There are special lines that it would seem almost criminal negligence to fail to investigate. And in justice to the du Ponts, who are held in high esteem in my community, those investigations should be made as to them. In justice to the District Attorney, who believes that certain wrongs have been perpetrated either by the du Ponts or upon the du Ponts, some investigation should be made. If they are patriotic, if they have done the
things here to assist the Government in its time of need, they should have
430 a clean slate. They should go forth and let the people see what this
organization of men has done. If there is something wrong in the record, and the recovery can be had for the Government either from the du Ponts or from other people, if there are criminals who should be prosecuted in the courts, then it should come out here. I want to go on record as asking and recommending that investigation be made along special lines to be determined, if not a whole investigation.

Mr. Anderson. Well, now, Mr. McLane, can you now state, or would you put down in a memorandum for this committee the lines of investigation that you would recommend? The specific things?

Mr. McLane. I would not like to do it just offhand, but I will submit a recommendation to this committee.

Mr. Anderson. Will you do it?

Mr. McLane. I would be very glad to do it.

Mr. Anderson. And then if it is within the jurisdiction of the committee we will do it. And if not, I will take it up with other authorities to have it done. I quite agree with the principles you have stated. It is due the Government, it is due the du Ponts, it is due the administration of justice, that where there are serious questions involved they should be sifted to the end, no matter who they may involve, and I am sure no citizen of the United States objects to that. Now if this committee's jurisdiction does not go that far—and I will discuss that with General Williams and the Assistant Secretary of War when I get your memorandum, then I will arrange through some other branch of the Department of Justice to have that investigation made.

Mr. McLane. That is very good, and no more than that could I ask.

431 Mr. Anderson. I will clean it up if I can do it myself. You do not
mind being investigated, do you?

Mr. Haskell. No, sir; that is what I have asked for.

Mr. Gregg. Just two points. It will only take me about two minutes, and I want to do this before we close. I want to state that in June and July 1920, the du Pont Engineering Company returned to the Government in cash unused funds totalling $3,324,497.77.

At that time we retained approximately $600,000 by agreement with the War Department to take care of current expenses. Now there have been some accumulations to that which have brought it up to $950,000.

Now, as to the profits that we made on this work. I understand it is claimed that we made enormous profits out of the Government.

On Old Hickory construction we made a profit of $1.

On Penniman construction we made a profit of $1.

On the Ives construction we did not get the $1 because we never completed the construction of the plant.

On Old Hickory operation we made a total profit of $2,013,713.05.

On Penniman operation we made $400,408.32.

On Seven Pines operation we made $120,462.91.

On Tullytown operation we made $188,991.40.

Or a total of $2,723,577.68 profit on approximately $129,000,000 worth of work.

We agreed to accept disallowances in the interest of settlement of
$103,405.87.
432 Our profits prior to the deduction of Federal taxes were $2,631,658.23.
Deducting a direct expense of $54,923.96 leaves profits prior to deduction of taxes of $2,576,734.27.

Federal taxes paid, $1,490,013.19.
Estimated Federal taxes still payable, $633,215.87.
Or a total of Federal taxes of $2,123,229.06.
Net profit, $453,505.21.
Dividends paid, $400,000.
Undivided profits as of October 31, 1923, $53,505.21.

(Thereupon, at 6 o'clock p. m., the hearing was adjourned subject to the call of the Chair.)

The following brief was submitted to the committee by Mr. Gregg in connection with Exhibit No. 1190. See text, page 3250.

WILMINGTON, DEL., *April 26, 1935.*

Senator GERALD P. NYE,
Chairman Special Committee Investigating the Munitions Industry,
United States Senate, Washington, D. C.

DEAR SENATER NYE: This is in further reference to the report of September 14, 1923, by George W. Storck, expert bank accountant to the Assistant Attorney General, relative to the Old Hickory Powder Plant, which was introduced by Mr. Hiss at the committee's hearing of December 14th and included as exhibit no. 1190 in the record of your committee. You will no doubt recall my testimony that I had never theretofore seen this memorandum, nor any part of it, and my request, which apparently had the committee's approval, that I be permitted to examine the document and file a statement for inclusion in the record in answer to Mr. Storck's charges. (Typewritten record, pages 5268, 5280–1, 5302, and 5384.)

Ever since my return to Wilmington near the end of December, the work of investigation necessary for this statement has been actively in progress. As you will readily appreciate, the wide range of the accusations made or implied in Mr. Storck's memorandum, the long time which has elapsed since the acts in question took place, and the fact that from deaths and otherwise a number of the principals are no longer available, have made it a matter of considerable difficulty, requiring a great amount of searching of old records and redetermination of the exact significance and relationship of documents and entries after the lapse of a period of years.

Mr. Storck's report was made several years after the occurrences and acts in question. It expressly describes the investigation as "preliminary." That it was also entirely superficial, and that he was surprisingly reckless and unrestrained, will be apparent from even a cursory examination of the document itself. Mere suspicion is stated as accusation; local gossip is translated into definite charges of criminal wrongdoing; and the memorandum is full of manifest misunderstandings and plain misstatements of fact.

In general, the charges made in his report may be said to have been comprehensively answered in the disposition made of it by the Department of Justice. In a final report to the Secretary of War on August 5, 1925 (your exhibit no. 1191) after several years of active investigation of these and various other accusations which had been made against the du Pont Company and du Pont Engineering Company, the Attorney General of the United States stated in part, as follows:

"An extensive investigation of the charges of fraud or crime above referred to has failed to disclose reasonable or probable grounds for believing that during the performance of the contracts in question the du Pont Company committed the offenses with which it has been charged, or any crimes, and in my opinion there is no warrant either for further investigation along these lines or for the institution of proceedings against the company based upon charges of fraud or crime."

To some extent the answers to the specific matters dealt with in the Storck report have been already given in the du Pont Engineering Company's reply of December 4, 1923, to certain inquiries propounded by the War Transactions Section of the Department of Justice, which is included in your committee's record as exhibit no. 1173. In many other instances, however, an independent statement of the facts is necessary for the present purpose. In this communication, therefore, we have endeavored to deal in the order of their occurrence with all the accusations and innuendoes of any seeming importance which we have been able to glean from Mr. Storck's report. The references are to the paragraph numbers and subtitles of that document. Before taking up the specific charges, however, it appears desirable to explain briefly certain matters of general import which have a common bearing upon a large number of Mr. Storck's accusations.

SOME GENERAL EXPLANATIONS

The frequent recurrence in Mr. Storck's report of erroneous statements that various materials were shipped to Old Hickory after December 1, 1918, leads us to wonder if he or his informants did not confuse dates of shipment with dates of receipt of materials at the plant. The possibility also suggests itself that dates of vouchers may have been confused with dates of shipment.

With a constant flow of some 300 cars daily of incoming materials and with as many as 800 cars at one time on the sidings for unloading, it was the natural practice to group numerous related shipments upon one voucher. In the pressure incident to completing construction of this huge plant and at the same time bringing it into production, all under war-time conditions, it was inevitable that there should be a certain amount of congestion and delays in the work of checking and accounting necessary for billing these materials to the Government. In some instances, shipments received in October were included in the vouchers issued in December and January. These facts are cited merely as indicating possible explanations of the chronic confusion under which Mr. Storck appears to have labored in this matter of dates of shipment; what the actual explanation was, we of course do not know, as no opportunity was ever afforded us to examine Mr. Storck with respect to these matters.

At the outset it is also necessary to correct several other apparent misconceptions of which evidence is frequent throughout the report. In the first place, the du Pont Company had nothing to gain from piling up surplus materials at Old Hickory. Neither the construction nor the operating part of its contract was on the usual cost-plus-a-percentage basis. The plant was built for cost plus one dollar, and it was operated for a fixed profit of 3½ cents per pound of powder produced, plus one-half the saving under an agreed base cost figure. Therefore, it was clearly to the company's interest to avoid surplus stocks in order to promote the best possible working conditions and minimize handling charges on the plant.

Contrary to Mr. Storck's assumption, the du Pont Company had nothing to gain by "unloading" upon Old Hickory the incoming or on-hand stocks of raw materials for powder manufacture at its own plants, which the close of the war made surplus. The company had not been speculating in raw materials. The contracts with its European customers had all been for definite quantities of powder. Throughout the closing period of the war, the company's entire unsold capacity was taken by the U. S. Government, under similarly definite contracts. These contracts imposed upon the company the necessity of providing the necessary raw materials to make the specified quantities of powder, and the price was figured without any allowance for risk of loss on these materials. At the same time, it was recognized as clearly desirable that the Government should have the right to discontinue the manufacture of powder when the war ended. The contracts, therefore, contained the quite usual and manifestly fair cancellation clause, providing in effect that the Government could order manufacture stopped at any time, but that upon doing so it would save the manufacturer from loss on the necessary raw materials provided to fill Government orders by taking them off the company's hands. Under this provision in numerous contracts, the du Pont Company when the war suddenly came to an end was entitled to turn over, and did turn over, to the Government practically the entire unused stocks of raw materials not in process at its own plants. There would have been no advantage whatever to the company in shifting these stocks to the Government's plant at Old Hickory, for they belonged to the Government in any event as soon as the contracts were suspended. There was no such thing as the "unloading" which Mr. Storck repeatedly charges; and his whole theory in that connection is, in relation to the underlying facts of the situation which prevailed, a manifest absurdity.

Again, an assumption apparently underlying many of Mr. Storck's criticisms, or at least an inference naturally to be drawn from his report, is that when the armistice was signed the manufacture of munitions and the acceptance of materials therefor should have been brought promptly to an end. The facts in that connection are that, so far as lay within the power of the du Pont Company, a view very close to that assumption was at once adopted and acted upon. On November 11, the very day of the signing of the armistice and without waiting for any orders from the Government, the company's principal men at the various war plants under its management, including Old Hickory, were instructed from Wilmington at once to set about preparing for a shut-down; the same suggestion was promptly put forward by the company's officials to the representatives of the Government with whom they were in contact; and in the ensuing period, very large amounts were saved to the Government by the du Pont Company's initiative in taking prompt action in a number of cases to shut off needless further accruals of materials, in some instances without any clear authority and at the risk of not having its action ratified. The total thus saved was approximately $10,000,000. In addition, some $4,000,000 more was saved to the Government through the willing renunciation by the company of rights which it had under certain of its contracts to continue operating for specified periods after receipt of notice of suspension. (See typewritten record, pages 5428–31.)

By those in authority in shaping our national course, however, a policy of gradually tapering off, instead of abruptly discontinuing, the production of munitions was commanded, on the dual grounds of a still necessary military prudence and of the necessities of the great body of workers employed on Government orders. In that connection, the following excerpts from an official instruction issued on November 20, 1918, by the Secretary of War to the Chief of Staff (italics ours) are instructive:

"The present machinery of industry and labor devoted to munition production constitutes a military weapon of the highest consequence. *Although an armistice has been signed, the Nation is still at war and the military needs of the country forbid that this essential part of the military machine should be destroyed through a sudden cessation of production.*

"In determining, therefore, whether the Department should refuse to continue to receive deliveries of articles now being made at the instance of the Government, * * * supply officers should consider first, whether or not the particular article being produced can probably be dispensed with; and, second, whether or not the labor employed can immediately be released and the production of the particular plant can suddenly be terminated *without undue injury to the industrial military machine.* Unless the discontinuance of production can be so effected, *deliveries should not be stopped, arrangements being made, however, for the tapering down of such production as speedily as practicable.*"

In accord with this basic general policy, already determined upon and in effect, it was decided by the Government at a conference held in Washington between representatives of the Government and of our company, some time prior to the date of the official memorandum just quoted, that there should be no abrupt stoppage of powder production at Old Hickory but that the operation of that plant should be gradually reduced to approximately 50 percent of its maximum production on December 15, 1918, 25 percent by December 31, and a complete cessation of production on January 15, 1919. This official policy of a gradual tapering off of production, together with the necessities of closing up numerous contracts for materials previously entered into under a general procurement policy which had the full approval of the Government, must be constantly borne in mind for a correct appraisal of many of Mr. Storck's accusations.

To the same end, the vastness of the intended scale of operations at Old Hickory, and the unexpected suddenness of the war's ending, must not be lost sight of. A cardinal principle of all manufacture is the maintenance of adequate stocks of raw materials to avoid interruptions in manufacture. Under war conditions, at the plant which was to constitute the Government's largest source of powder supply, this necessity was accentuated. Along with the final stage of construction at Old Hickory, and the initial stage of production in the completed units, went the building up of sufficient working stocks of raw materials and supplies to take care of the intended enormous ultimate volume of production, which upon completion of all nine units would have reached by the end of December 1918, a total of not less than 900,000 pounds of finished powder daily. The lack of any essential material would have blocked or reduced this output; and the company's own prudence was reenforced by repeated urgings from the War Department that nothing should be neglected which might impair or threaten the full force of the tremendous military effort intended for 1919. The materials left on hand at the close of operations represented, therefore, not merely what was necessary for the volume of production already attained, but the building up of the full stocks which would have been required to support the intended ultimate volume of production.

At first glance, both the individual items of materials which were left on hand at Old Hickory by the sudden closing of the war and the grand total of somewhat less than $6,000,000 worth of such surplus stocks, to anyone who did not take into consideration conditions prior to the armistice, are apt to seem excessive. The intended monthly output of this plant, however, would have exceeded 24,000,000 pounds of powder, and that rate would have been attained within about six weeks after the date of the armistice. If we assume for purposes of convenient quick calculation that the ultimate manufacturing cost would have been 40 cents a pound and that half of this cost would have been in raw materials and supplies, then it will be evident that the above $6,000,000 of surplus stocks was equivalent to not more than about a five weeks' supply. Obviously, in relation to ordinary manufacturing practice, and in view of the special conditions at that time prevailing, such provision must be regarded as being if anything deficient rather than excessive.

PARAGRAPHS 1 TO 3. CRITICISMS OF STORAGE OF RECORDS

On April 17, 1919, the Old Hickory Powder Plant, with all its records and appurtenances, was turned over by the Du Pont Engineering Company to the U. S. Government. We had from that date forward no control whatever over the storage and handling of the Old Hickory records, and we are therefore in no way responsible for the conditions reported as existing in September, 1923. Mr. Storck's reported "understanding" that Major O'Shaughnessy, by whose orders certain records are said to have been stored in a temporary building in the powder area, "was formerly connected with the corporation of E. I. du Pont de Nemours & Co.", is entirely without foundation, and is further evidence of Mr. Storck's recklessness in making statements. Major O'Shaughnessy was never in the employ of this company, nor of any of its predecessor or subsidiary corporations, in any capacity whatsoever.

SECTION 4—ALCOHOL

Mr. Storck states that the War Department auditors took exception to 755,072 pounds of alcohol, valued at some $75,507, "which was shipped to the plant after date of December 1, 1918." The fact is that no alcohol was shipped to Old Hickory after December 1, 1918. The last shipment of that material was made on November 29th, in accord with the policy of the Government as stated above. This was under a contract which had been entered into with one of the principal producers on April 12, 1918, and under which the unshipped balance was subsequently cancelled. Mr. Storck's apparent confusion of dates of invoices with dates of shipment and the circumstances attending late shipments of raw materials to Old Hickory have been, we believe, sufficiently explained hereinbefore.

FIRST PARAGRAPH RELATIVE TO COTTON

The report indicates that nearly 13,700,000 pounds of this essential material were shipped to Old Hickory after December 1st. The fact is that only about one-fourth that quantity, somewhat over $3,600,000 pounds, was shipped to Old Hickory after December 1st; and of that total nearly half was in reforwardings of earlier shipments in correction of an error of the shipper for which the du Pont Engineering Company was in no way responsible, and upon which the Government was fully "made whole", as explained under "paragraph (a)" below. All shipments of cotton to Old Hickory were in strict accord with the policies and general instructions laid down by the Government itself, and were approved by the duly authorized representatives of the Government.

PARAGRAPH (A) RELATIVE TO COTTON

Mr. Storck's statement that the plant at Nitro, West Virginia, was "a plant of the parent company of the du Pont Engineering Company" is entirely without foundation. The Nitro plant was built for the U. S. Government by the

Thompson-Starrett Company under Government supervision. It was operated by the Hercules Powder Company. Neither the du Pont Company nor any of its subsidiary companies, had any interest whatever in the plant at Nitro or had had anything to do with its construction or operation, except that the Company's experience and special knowledge, without any compensation, were placed freely at the disposal of the Government in constructing it.

The shipments of cotton to Old Hickory from the du Pont Company's plant at Hopewell, Virginia, were simply reforwardings in correction of an error which had been made in the original shipment by the Buckeye Cotton Oil Company, which was the seller and shipper. This material had been bought for Old Hickory and plain and complete instructions had been duly given for its shipment there, but through some confusion or inadvertence on the shipper's part it was later discovered to have been sent to the du Pont Company's own plant at Hopewell. This error was rectified at the expense of the shipper, without cost to the Government. This is all fully explained in Exhibit No. 1173, under the title "In the Matter of Specific Items of Inquiry", subtitle 4. Cotton Linters", "Question 4." Mr. Storck's statement that "further investigation will disclose the fact that this cotton was purchased on requisition and purchase orders for "the du Pont Company's own plants is simply not true, and we are at a loss to discover any foundation for that statement.

PARAGRAPH (B) UNDER COTTON

Here the charge is that the du Pont Company collected an illicit profit through the device of having another subsidiary (presumably du Pont American Industries) buy cotton and resell it to the du Pont Engineering Company at an advance in price for use at Old Hickory.

The facts are that, in order to avoid conflict in purchasing, the entire cotton requirements for both Old Hickory and the du Pont plants were bought together, with the full knowledge and approval of the Government; that under certain purchase contracts providing for price adjustments of which the exact effect could not be determined at the time of purchase, a temporary figure, sufficient to include the probable maximum, was adopted for billing purposes, subject to later adjustment; that this final adjustment was delayed through an illness of the vice president of the du Pont Company having the matter in charge; and that the overcharge was shortly discovered by the Government's auditors and promptly refunded to the Government, with interest, several years in advance of the date of Mr. Storck's report. The full details of this and certain related matters are set forth in exhibit no. 1173, under the head of "Cotton Linters", Questions 1, 2, and 3.

PARAGRAPHS (C) AND (D) UNDER COTTON

The accusation that the du Pont Company recklessly paid excessive freight charges, without checking the rates, will be found fully answered under the subtitle "5. Freight Charges" in exhibit no. 1173. The du Pont Engineering Company was officially instructed by the War Department not to audit freight bills "*as they intended performing this function in Washington*"; this instruction being further explained by the statement, "*The main point of this is that the traffic department* (of the du Pont Company) *would not know, or be able to catch, errors of rates that the Government is entitled to on all shipments.*" In accord with this instruction, freight bills were promptly paid as rendered, and turned over to the Government for audit and collection of overcharges.

It appears pertinent to add that since the Government at that time was operating the railroads, any excess or deficiency in its freight collections would have been, in any event, essentially a matter of transferring funds from one Government pocket into another. The du Pont Company had nothing to gain or lose from any such transfer. Mr. Storck apparently has an ingenious theory that through permitting the Government to charge itself too much freight, the du Pont Company could profit by some percentage on the excess materials cost thus incurred. There was no such percentage. All these linters were bought, by arrangement with the Government, at a small flat fee per bale; and the company's compensation per pound of powder produced was, by express contract provision, made independent of variations in the delivered cost of the essential materials.

PARAGRAPHS (E), (F), AND (G) UNDER COTTON

Mr. Storck accuses the du Pont Company of robbing the Government through false weights on cotton (meaning cotton linters). It would seem that the extreme amount of excess in the several cases he cites might have suggested the true nature of these discoveries; namely, that they were simply clerical errors, of which a certain proportion is inevitable, especially in a task of such magnitude and complexity as the construction and operation of the Old Hickory plant under the stress of war-time conditions.

The facts in relation to this charge, including the exact details with respect to each of the four shipments specified by Mr. Storck, will be found fully set forth in exhibit 1173, under the subhead "4. Cotton Linters", in our answer to question 7. In every one of these cases, the weights billed to and paid for by the Government were the actual weights received and not the grotesque figures cited by Mr. Storck.

PARAGRAPH (H) UNDER COTTON

The alleged post-war sale by the Nashville Industrial Corporation has nothing to do with the du Pont Company, which has never had any interest in or control over that corporation.

CAUSTICIZING LIME

Contrary to Mr. Storck's statement, no shipments of this material were made after December 1, 1918. The last shipment was made on November 28th.

The statement that "Claims entered against the above-mentioned shipper (T. L. Herbert & Sons), and acknowledged as correct by the railroad agent as to weights, were weighed by the contractor and paid in full", is vague and ambiguous, and we have been unable to determine just what was meant by it.

In general, all incoming shipments of materials, upon arrival at Old Hickory or as soon thereafter as the necessary work could be gotten through, were weighed or counted, or the content measured and computed, and the quantities thus determined to have been received were checked against copies of the shippers' invoices. Certification of this check was required before payment, except where payment upon conditional approval was necessary to protect cash discounts. In all cases of indicated shortage, claims were filed, against the shipper or the carrier, according to the circumstances of the individual case, and pushed through to the point of collection or disproof, in the usual way. A substantial amount, covering a large number of such claims, was thus collected and credited to the Government. Under the circumstances prevailing, it is not claimed that the functioning of this system was perfect, or fully equal to that of normal peace-time operation. The opportunity for collecting shortage and damage claims was certainly not overlooked or neglected, however; the work of doing so was well organized and regularly carried on and the methods used were identical with those followed on the company's own plants.

The procedure described was applied regularly to causticizing lime, just as to all other materials.

NITRATE OF SODA—PARAGRAPHS (A)–(E)

Mr. Storck's statements and questions under this head betray an entire lack of any real knowledge or understanding of the subject. When the facts are known, his charges for the most part become ridiculous.

At the outset, the crucial importance of Chile nitrate was recognized by the European Allies and by the United States, and all importations were placed under strict Government control, as to both quantity and price. Primarily this control was exercised by an international authority known as the "London Executive", made up of representatives of the British, French, and American Governments. This international authority made its allocations to each of the several countries concerned and determined just when each country should go into the Chilean market as a buyer. Within our country, under this general guidance of the London Executive, the direct control of all purchases and prices of nitrate of soda, was exercised by the "Nitrate Committee of the United States", a creation of the War Industries Board, which remained under the surveillance of that Board and in close official connection with it. The committee's membership included representatives of the four established importing firms, W. R. Grace & Co., Wessel-Duval & Co., Gibbs & Co., and Du Pont Nitrate Co.; and as a war measure, the right to import was confined to these four agencies, which were designated to purchase nitrate of soda for the needs, first, of the War and Navy Departments and the Department of Agriculture, and then for their own general requirements and those of other consumers. The quantities to be purchased were allocated to the four authorized importers on the basis of their comparative pre-war volume. Before being rendered to the Ordnance Department, all accounts for nitrate of soda purchased had to be submitted to, and approved by Mr. Ray Paige, representative of the War Industries Board and office manager of the nitrate committee; so that the Government had a double check to see that all bills it paid for nitrate were in accord with the established regulations and with all contract provisions.

All nitrate of soda provided for use at Old Hickory was thus in effect bought by the Government itself, through this rigid method of agency purchasing, and not by the du Pont Engineering Company, as was the case with other raw materials generally. The quantities bought were a direct function of the Government's own schedule of powder requirements. The entire scope of any and all du Pont participation in their procurement was under a standard agency contract, dated May 2, 1918, under which the du Pont Nitrate Company undertook to act as one of the Government's agents in buying and handling the Chilean nitrate of soda for the Ordnance Department. Under this contract approximately 191,000 tons of Chile nitrate were bought for the Government, of which about 46,500 tons were shipped to Old Hickory. In addition, the Government shipped to Old Hickory about 44,400 tons procured under similar arrangements with other contractors.

When arrangements for procuring and handling nitrate of soda came to be considered between the Government and the importers after the United States entered the war, it was proposed by the du Pont Company's representative that this work be done for the Government at cost. That principle was adopted. It was the feeling of the Government's representatives, however, that, for the sake of simplicity, certain minor elements of the total cost which were somewhat difficult of exact determination had best be covered by definite, predetermined allowances; and it was accordingly agreed that in addition to reimbursement of the amounts paid out as the purchase price of the material in Chile and the necessary expenses paid directly for the assaying, loading, and shipping of particular lots, the importers should be allowed ⅜ of 1% upon the f. a. s. Chile price of the nitrate to cover their ordinary overhead expense in Chile, plus five cents per ton of 2,240 pounds to offset the cost of their work as agent of the United States in attending to the loading, shipping, unloading, and "caring for" this "property of the United States", and its "transportation and distribution" from the ports of discharge in this country.

As a matter of fact, in case of the du Pont Nitrate Company, these allowances did not exceed the actual costs involved, and are believed to have fallen somewhat short of balancing them. There were no other allowances; and there was no profit whatever on this business to the du Pont Company or to any of its subsidiaries.

The question, "Why place an additional price of six shillings a quintal at shipside before the nitrate of soda was placed aboard ship for transportation to point of delivery?" appears to be simply another of Mr. Storck's wild imaginations. There was no such impost and nothing resembling it; and we have been utterly unable to determine what he is driving at. Six shillings a quintal would have been about thirty dollars a ton, which, in relation to the values involved, is a manifest absurdity. Possibly Mr. Storck's confusion here traces back to the rate of six *pence* a quintal which was the standard differential between the so-called "refined" and ordinary grades of nitrate of soda. Or maybe he was somehow misled by the freight cost of $25.00 a ton (fixed by the War Industries Board), which, with the expenses described above and amounting to about $5.00 a ton, would equal his figure of approximately thirty dollars. These, however, are simply guesses; and we are unable here to do more than guess at what may possibly have been in Mr. Storck's mind.

To forestall a possible misapprehension, it should perhaps be added that the du Pont Nitrate Company itself, before and during the war, was a producer of nitrate of soda in Chile. Its entire output during the period in question, however, was at the rate of only about 2,000 tons a month (in comparison with the total of nearly 91,000 tons shipped to Old Hickory), or less than 1% of the Chilean production. And of that small output, it happens that the entire quantity was shipped to the parent company's own plants and those of competitive explosives manufacturers, and no pound of this du Pont nitrate went to Old Hickory.

The entire groundlessness of Mr. Storck's apparent belief that there was a profit for the du Pont Company in loading Old Hickory up with excessive stocks, or in shunting off upon Old Hickory surplus stocks from its own plants, or that there was any failure on the part of the du Pont Company to discern or act upon the "moral notice" in the signing of the armistice that the war was probably at an end, has all, we believe, been sufficiently made plain above, in the section headed "Some General Explanations." The statement to which he refers on the first page of the company's annual report for 1918, all perfectly true and significant in the present connection, is as follows:

"The sudden ending of the war on November 11, 1918, brought about an almost immediate curtailment of activities of E. I. du Pont de Nemours & Company, and the few remaining weeks of the year 1918 were sufficient to eliminate almost completely all munition business. The magnitude and rapidity of this reduction is well illustrated in the shrinkage in number of employees at munition plants, of whom on November 11th there were 85,638 engaged on war orders, while on December 27th, 18,101 only remained on the pay rolls. Officers of the company encouraged the departments at Washington to cancel all contracts quickly in order to save material and labor in producing unnecessary explosives. It so happens that orders for the year 1918 were practically completed. Little will be done on contracts covering the first six months of 1919, and no profit will be derived from the uncompleted portion thereof. The contracts cancelled amounted to about $260,000,000."

SODA ASH

Objection is raised against some 700,000 pounds of this material, having a value of somewhat less than $11,000, alleged to have been shipped after December 1, 1918. An exhaustive examination of our records shows that there was no shipment of soda ash made to Old Hickory after the time limit stated. The final shipment was made on November 29, 1918.

CRUDE SULPHUR

Contrary to Mr. Storck's apparent conclusion, no sulphur was shipped to Old Hickory after December 1, 1918. The last shipment was made on November 17th. The suggestion of "unloading" upon the Government has been disposed of in the general explanations given above, in the first subtitled section of this communication.

The guarding charges referred to in paragraph (b), amounting to a total of somewhat less than $5,000, were incurred in protecting part of the sulphur for Old Hickory against the risk of fire in transit. Mr. Storck's complaint with respect to these charges is that "Some cars required shows the expenditure to be approximately 40% higher charges from the same point of origin and for the same number of cars."

With a general shortage of rolling stock, numerous shipments of sulphur had to be made in open cars. To safeguard this inflammable material against sparks from the locomotive or ignition from some outside source, it was necessary either to cover these cars or else to have them continuously watched in transit. On a large volume of this material moving from the mine of the Union Sulphur Company, in Louisiana, the latter of these expedients was adopted as the less expensive, the shipments being bunched into trainloads and "sulphur-train guards", of two men each, being sent out with each train to insure constant watchfulness.

For this irregular work, men were hired by the Union Sulphur Company at point of origin as the opportunity afforded and under whatever arrangements could best be made in the individual instance. Under war conditions, it seems hardly surprising that the cost of these arrangements varied; and this natural variation was accentuated by differences in the number of cars to the train and by the fact that in some instance the railroads used circuitous routes around points of traffic congestion, thus considerably lengthening the time in transit. The files show that this variation was promptly questioned by the due Pont Engineering Company and that the unavoidable reasons for it were satisfactorily explained by the Union Sulphur Company.

SULPHURIC ACID

Complaint is made that sulphuric acid was bought from the Mineral Point Zinc Company at $34.84 a ton within a week of the time when purchases were made from the Grasselli Chemical Company at $28.00 a ton. The reason for this price difference was that the acid bought from the Mineral Point Zinc Company was of the concentrated grade known as " oleum ", while the Grasselli purchase was of 66° acid, of substantially lower concentration. On the basis of actual H_2SO_4 content, the prices for the two purchases were practically identical; and the difference in gross price was in accord with the prevailing trade differential for these two commercial grades. Contrary to Mr. Storck's insinuation, the Mineral Point Zinc Company was not a Du Pont subsidiary; and the du Pont Company has never had any ownership or interest whatever in that concern.

It appears worth while to add that the main volume of all Old Hickory's sulphuric acid requirements was produced by an acid unit which was part of the plant itself, and that the entire purchases with which Mr. Storck is here concerning himself amounted to only about ½ of 1% of the total of all sulphuric acid produced and provided for use at Old Hickory.

SOLDER

Contrary to Mr. Storck's statement, no solder was shipped to Old Hickory after December 1, 1918. The last shipment was made on or shortly before November 16th. The constantly recurring charge of " unloading " has been sufficiently considered above, in the section headed " Some General Explanation."

CAST-IRON BORINGS

The memorandum challenges a price of $22.06 per long ton on some 1,200 tons of this material bought from Joseph Bros., of Cincinnati, in comparison with a price of $16.30 for about 80 tons of cast-iron borings from John C. Kane, of Philadelphia; and here again the question is raised of whether the du Pont Company " is interested financially in Joseph Bros."

The du Pont Company, directly or indirectly, had no interest, financial or otherwise in Joseph Bros., and has never had, except as an occasional customer. Cast-iron borings are, of course, a byproduct, and hence of somewhat uncertain market value, which, as in case of all such products, tends to be erratic. Moreover, the materials grouped under this term vary widely in character and in actual worth. For example, at the present time (April 1935), the du Pont Company is paying for cast-iron borings prices which range all the way from $8.00 to $20.00, according to quality. So far as we can discover, there was nothing exceptional about the prices paid either to Kane or to Joseph Bros.; and the difference noted was simply the normal market result of the differences of time and place of purchase and character of the product.

POWDER BAGS

Mr. Storck states that 10,500 bags were bought from a New York House at 61 cents each and 220 bags from a local concern in Nashville at a price of $1.70, and adds that " These latter bags should (not?) have been taken on at the difference in price and it is the opinion of your investigator that if a further investigation is made, it would be found that these bags were obsolete as containers of powder."

Bags are, of course, not used as shipping containers for powder, but only to some extent for handling the material on the plant; and neither of the purchases referred to has anything to do with the silk bags in which the powder charges are loaded for large-caliber artillery.

Here Mr. Storck's error lies in assuming that the two lots of bags were in any way equivalent. The 61-cent bags were of a standard, lined burlap construction, in regular use; while the small lot of $1.70 bags were made to order locally, of 10-ounce canvas, for an experimental purpose. A price comparison between the two things so radically dissimilar is a manifest absurdity; and if it be contended that the experimental expenditure of $374 here in question should not have been made, the answer is that the du Pont Company's continual search for new and improved methods throughout the war resulted in saving millions of dollars in the cost of manufacturing powder, to the great benefit of the United States and its European Allies as well as the company itself.

BOX SHOOKS

The implications of the memorandum under this head are for the most part simply a repetition of the familiar charges of excess procurement, shipments after December 1st, and "unloading", as to all of which we believe enough has been said above, under the head of "Some General Explanation" and elsewhere.

Shook requirements for the special zinc-lined containers used for shipping and storing smokeless powder are rather exacting; and with the tremendous stimulation of manufactures and overseas shipments of all kinds prevailing in 1918, the procurement of an adequate supply of powder boxes had become a problem of recognized importance and some difficulty. The necessary shooks for Old Hickory and the du Pont Company's own powder plants were in part bought complete from outside sources and in part made up in the company's own shops. Under date of September 18, 1918, the company's purchasing agent responsible for box procurement wrote to the head of its smokeless-powder operating department, "There seems to be a shortage of shook and box capacity in the country as compared with the country's requirements, and it seems absolutely necessary we make, without further delay, new contracts for further qualities of shooks, for the following reasons." There followed a concise analysis of the existing situation, under some six heads, indicating the necessity of a reasonably liberal procurement policy. Without containers to transport to the front, the powder would not have any military value. As late as October 14th, an order was received from the Ordnance Department for 500,000 additional boxes, with the intimation that the pending completion of their own study of "the entire box situation" would probably result in additional orders.

There was provided for Old Hickory a total of approximately 300,000 shooks. The total output of powder actually produced there was, in round numbers, about 35,000,000 pounds. That quantity, at the average of about 140 pounds per box, required 250,000 boxes, or with the conversion loss of about 4% in making up shooks into boxes, approximating 260,000 shooks. There was thus a surplus, in one form or another, equivalent to about 40,000 shooks, left in the Government's hands by the sudden ending of the war. That quantity, at the impending production rate of somewhat over 24,000,000 pounds of powder monthly, would have been sufficient to pack less than one week's output of powder.

The salvage sale of surplus shooks referred to in the report was made by the Government, at some time after the entire plant and its stocks, appurtenances, and records were turned over to it by the du Pont Engineering Company, on April 17, 1919. The reported lack of certain vouchers in the plant files in 1923 is a matter similarly outside the scope of our knowledge or control.

SULPHATE ALUMINA

Here criticism is made of a price of 2½ cents a pound plus loading charges paid to the Harrison Works, a du Pont subsidiary, in comparison with prices ranging as low as 1¾ cents paid to others; and Mr. Storck remarks that "it is again apparent that the contractor bought through their subsidiaries at a profit to themselves."

Sulphate of alumina is used for water purification. Old Hickory, with total working forces running up to 50,000 persons, a plant village built to take care of a resident population of 30,000, and a filter plant of 65,000,000 gallons daily capacity, required large quantities of that material. Of the total of some 800 tons, approximately three-fourths was provided under contractual arrangements with the Kalbfleisch Corporation, having a nearby plant at Chattanooga, Tenn., at an average cost, including a final settlement of $3,400 for cancellation of the unshipped balance, equal to approximately 2$\frac{1}{10}$ cents a pound.

From this regular source of supply, shipments were begun in May and continued at frequent intervals until the latter part of November. In the early fall of 1918, however, a general condition of shortage developed in the sulphate of alumina market, with sharply advanced prices for "spot" deliveries. The Kalbfleisch plants at Chattanooga and at Erie, Pa., were unable to supply the full needs of Old Hickory, and it was necessary to find other sources for part of the required material.

In these circumstances, five cars of this material were taken in September from the Harrison works, at the price of 2½ cents reported by Mr. Storck, which was entirely in accord with current market conditions at the Atlantic seaboard. In procuring this supplementary supply, the du Pont purchasing agent dealt with the Harrison unit on the same basis as with any other producer; the acute question at that time, however, was that of deliveries rather than price. Harrison's own regular customers, within its logical shipping territory, were already taking that plant's full output of sulphate of alumina, and additional orders were not desired; in fact, by early November the Harrison plant plant was approximately 65 cars behind in filling the orders from its own contract customers.

On the 5 cars furnished by Harrison's, the total extra cost cited by Mr. Storck, including the loading charges ($65 for two cars, not one as he states), amounted to about $1,100 or $1,200. This in no way represented any special advantage to that du Pont subsidiary, however, since ample other outlets were at that time available at the same figure or higher for the full output of the Harrison plant; and the material needed at Old Hickory could not then have been secured at a lower price from any other source.

The Oil, Paint, and Drug Reporter's market quotations throughout the month of September 1918 stood at 2 to 3½ cents a pound, the wide spread between these figures and the sharp advance from the prices of the early months of the year indicating plainly the unsettled condition of the market and the necessity of paying a premium for "spot" deliveries.

BENZOL

Complaint is made that shipments of this material from the du Pont Company's plant at Deepwater, N. J., were billed to Old Hickory at 30 cents a gallon, plus a loading charge of $10.00 a car, "while shippers from Woodward, Alabama, received 20 to 30 cents a gallon." The data cited are correct except that the loading charge applied to only one of the five cars shipped from Deepwater, and the minimum price paid by Old Hickory on shipments from Alabama was 22 cents instead of 20 cents, while the Alabama shippers received a uniform price of 26 cents a gallon for all their shipments to Old Hickory and du Pont plants, under a contract which the du Pont Company had with them. Mr. Storck's comparison is deficient, however, in that (1) no account is taken of the regularly prevailing price differential for shipments in drums over shipments in tank cars; (2) no allowance is made for the difference between taking delivery in tank cars furnished by the buyer or by the seller; and (3) the comparison ignores the difference in time of shipments and the fact that the market on benzol declined over the period in question.

Old Hickory's total intake of benzol was approximately 168,000 gallons. Of that quantity, less than 22,000 gallons, or slightly more than one-eighth, was furnished out of the du Pont Company's own production. The shipments from the du Pont Company were all made early, on May 7th and 8th and June 5th and 6th; and at that time the market was relatively high. Moreover, owing to lack of storage-tank capacity at Old Hickory at the start, these early shipments had to be made in drums, and there was an established price differential in the trade of usually about 5 cents a gallon for drum over tank-car shipments. Finally, the price which Old Hickory paid for the seven-eighths of its benzol received from the Alabama producer was influenced by the fact that the du Pont Company furnished the tank cars in which it was shipped and made no specific charge for the use of them.

For a more complete understanding of this matter, it is necessary to review briefly the entire subject of the du Pont Company's benzol procurement in 1918. First, it may be noted that benzol is the basic raw material from which was produced the rather minute proportion (about 0.4 of 1%) of diphenylamine used as a stabilizer in smokeless powder. Also, that it is of byproduct character, being derived from the distillation of the "light oil" from coal tar produced in byproduct coke ovens, or from the "scrubbing" of illuminating gas. From all this it follows that benzol is a material of relatively slight weight in the total cost of making smokeless powder but of crucial importance to the product itself, and that its procurement is attended with the uncertainties which are characteristic of byproduct derivatives generally, and which are naturally accentuated under war-time conditions.

Late in 1917, under the influence of an earlier experience of great difficulties in securing adequate supplies of coal-tar chemicals, the policy was adopted by the du Pont Company of being forehanded with their procurement, and contracts were made in advance for the entire expected requirements of benzol for the year 1918. There was of course the chance that the market might decline before the expiration of the 1918 contracts. On the other hand, there was protection against a possible advance, better assurance of a necessary supply, and the incentive of obtaining substantial concessions under the prices prevailing at the time the contracts were made by offering the sellers the inducement of a "back-log" of assured, regular consumption.

The earlier difficulties had led to active developmental work on the part of the du Pont Company, by which the sources of supply for coal-tar chemicals were considerably broadened and prices reduced, and of which one result was the establishment of the company's own fractionating unit at Deepwater. The major part, however, of the entire 1918 benzol requirements of the du Pont Company's various plants using that material, and of Old Hickory, was made secure under four contracts with regular byproduct producers, for equal monthly deliveries in tank cars from January to December inclusive, as follows:

Seller	Total gallons	Price	F.o.b.	Cars furnished by—
		Cents		
Woodward Iron Co	600,000	26	Woodward, Ala	Buyer.
Barrett-Semet Solvay	360,000	30	Solvay, N. Y	Seller.
Barrett-Bethlehem Steel	240,000	30	S. Bethlehem, Pa	Seller.
Corrigan McKinney	600,000	30	Cleveland, Ohio	Buyer.

The recognized source of market information on chemicals is the weekly trade journal, Oil, Paint, and Drug Reporter. Its quotations are commonly accepted as authoritative. According to this source, the f.o.b. shipping point prices on benzol during 1918 ranged from a high of 45 cents a gallon at the beginning down to a low of 22 cents at the end of the year. Since the total U. S. production of benzol in 1918 was approximately 50 million gallons, it is evident that the above contracts, aggregating less than 2 million gallons, could not have had any controlling effect in determining the market level.

The above-described contracts, which had been entered into by the du Pont Company in the latter part of 1917, were meant to cover the probable full 1918 benzol requirements for the procurement of which the company might be responsible. When the responsibility for Old Hickory's needs became fixed through the du Pont Engineering Company, this provision was found sufficient to include them, and further purchases were not made. These contracts, however, had been entered into before the authority had been finally conferred upon the du Pont Company to buy for Old Hickory; and under a subsequently declining market, the general principle was followed of billing the shipments to the Government plant at current market value, and letting the du Pont Company absorb the difference.

The shipments to Old Hickory in drums from the du Pont Company's own plant, in May and early June, were billed at 30 cents, in accord with the then prevailing market. After these initial shipments, all further benzol for Old Hickory was ordered out in tank cars from the nearby source in Alabama, in order to give that plant the advantage of the favorable freight rate. These shipments were billed by the du Pont Engineering Company, and by it to the Government, at "the fair market price" as nearly as we could determine it. The actual billings ranged from a high of 28 cents a gallon in July to a low of 22 cents in November. In every case, these shipments were made in du Pont tank cars. For these cars, no specific charge was made to the Government, though their use was naturally influential to some extent in determining the various successive billing prices of the benzol.

The complete record of du Pont billings per gallon on benzol to Old Hickory in comparison with the high- and low-market prices for each month as recorded by the Oil, Paint, and Drug Reporter is as follows. It should be remembered that the Old Hickory shipments of the first two months were made in drums and that the shipments for the ensuing five months were in tank cars owned and furnished for this purpose by the du Pont Company, for the use of which no specific charge was made:

Months of 1918	O. P. D. R. market quotations		du Pont Co.'s billings to Old Hickory
	High	Low	
January	$0.45	$0.35	----------
February	.40	.35	----------
March	.40	.30	----------
April	.35	.30	----------
May	.35	.28	$0.30
June	.32	.22	.30
July	.30	.25	.28
August	.30	.23	.27
September	.30	.22	.26
October	.27	.22	.26
November	.27	.22	.22
December	.29	.22	----------

The du Pont Company's total billings to the Government on the benzol shipped to Old Hickory from Woodward, Alabama, were approximately $1,000 less than the amount it paid the Woodward Iron Company for the material, in accord with its contract. The company therefore took a loss on that material equal to about $1,000 cash plus the cost of furnishing tank cars for some eighteen shipments.

Everything considered, we believe the company's prices to the Government on the benzol which it furnished to Old Hickory were reasonable and fair, and that the course it followed in that regard is not properly a subject for adverse criticism.

OVERCHARGE IN FREIGHT

This has been fully covered above under the title "Paragraphs (c) & (d) under 'Cotton.'"

UNDERTAKERS, HOSPITALS, ETC.

Under this head Mr. Storck's charges, so far as they reflect upon Du Pont Engineering Company, appear to be essentially that the company made unwarranted and wasteful expenditures of Government funds in the hospitalization and burial of influenza victims at Old Hickory; that duplicate payments of hospital expenses were made by patients and not credited to the Government; that "valuables belonging to the victims would be lost"; and that improper care was taken of bodies awaiting burial. A proper understanding of these accusations requires some knowledge of the basic facts of the situation to which they relate, and some imagination in interpreting the facts.

The Old Hickory plant was an industrial city of some 50,000 workers, suddenly assembled upon what a few months before had been open farm land. Into this community were drawn men from every State in the Union and from many foreign countries. One unit of the housing provided, for example, was the "Mexican Village", with quarters for workers of that nationality and their families. Many families of the American workers, of course, accompanied them also, and were established in the dwellings of which the construction had been an important part of the undertaking to make this a complete, self-contained community, somewhat apart from any established center of population, as is desirable for explosives manufacture. Naturally, in so hastily assembled a community, and especially under war conditions, this population included many who came to it in more or less indigent circumstances, many of the roving type without definite home ties, and many whose physical resistance was low.

Into this community, about the end of September 1918, the influenza epidemic struck with something of the sudden fury and devastation of the plagues of the Middle Ages. On a Saturday morning, the situation was first recognized as acute, and that night 29 employees died. In the short space of one month, there were thousands of cases and a total of 465 deaths occurred on the reservation among the workers of the Old Hickory forces and their families. Among the Mexicans and the colored people of the community, the disease and its frequent complications were especially deadly.

As soon as the serious nature of this threat became apparent, comprehensive measures were taken by the management to cope with this extraordinary situation. With the cooperation of the U. S. Health Service, and with the devoted aid of a small group of nuns in nursing especially the foreign element of their faith, every practicable effort was made to give proper medical and nursing attention to the stricken. The former medical staff of 26 physicians was approximately trebled; about one hundred new employees were quickly recruited for the regular body of first-aid men and nurses; and a number of temporary hospitals were at once improvised and brought into use. There was no panic; and the measures adopted were deliberate, well organized, and we believe reasonably adequate and entirely proper. Inevitably, there was some confusion and lack of perfection in the methods and facilities so hastily developed; but the results, we believe, will be found to have compared favorably with those obtained anywhere else under circumstances at all comparable.

Wherever the patient's condition was observed to be desperate, and in every case of death, efforts were made to establish contact with the relatives or near friends of the victim. These in many cases came to Nashville, or provided the necessary cost of special hospital attention or of burial. In some cases of deaths the establishment of contact with distant relatives was prevented by the insistence of the State health authorities, perhaps reasonable and proper, upon interment within a definite period.

Where the necessary funds were not available from private sources, an appeal was made to the county authorities to provide burials, but they declined to stand this expense, on the ground that many of the victims were not regular residents of Davidson County or of Tennessee, nor a permanent part of the community. Arrangements were then made with the local authorities for space in an established burial ground, at a rate of $11.00 for each burial; and similar general arrangements were made with Wiles Brothers, a firm of undertakers in Nashville, for the interments. The things done in each case by Wiles Brothers included embalming the body, providing a coffin, transporting the remains to the cemetery, and the actual work of burial. At the outset, a rate of $75.00 for these services was informally agreed upon; shortly afterward this was reduced at the company's demand to $55.00, on account of the increased volume of work; and when the full force of the plague became apparent, a rate of $32.00 per burial was arrived at by further active negotiation between Wiles Brothers and representatives of the company. Where the victims of the epidemic died without funds and without relatives or friends who could provide the cost, these necessary minimum burial expenses, which the local authorities had refused to pay, were paid by the du Pont Engineering Company and charged to the Government as a necessary part of the expense of the Old Hickory undertaking. In many cases, however, the records indicate that small unpaid balances of wages were finally credited to the Government in part payment of these burial charges.

The specifications for coffins and burials provided by local law were observed, and the results are believed to have been comparable with those generally prevailing in case of burials at public expense. The undertaking work provided at Government expense was all done by Wiles Brothers because no other undertakers within reach were found equipped and willing to undertake it on an equally favorable basis. Relatives providing the expense of burials, of course, made their own choice of undertakers, and their own financial arrangements with the firms chosen. About three-fourths of the total numbers of burials necessary were thus privately provided for.

In the absence of any citation by him of examples, it is somewhat difficult to reply to Mr. Storck's accusation of duplicate payments of hospital expense without credit to the Government. We can discover no evidence of any such case, or for any element of that nature in the final findings of the Government's investigators, though it is, of course, not impossible that some instance of that sort may have escaped the vigilance of both the company's and the Government's accountants. In general, where patients or their relatives were able to pay for hospital care, the arrangements, were made privately between them and some one of the hospitals in Nashville, and did not figure in any way in the du Pont Engineering Company's accounting. In connection with the question of extravagance in hospital care provided at Government expense, it is perhaps significant that the records of the hospital charges paid by the company indicate a uniform rate of only $2 per day per patient.

Mr. Storck's statement about the handling of corpses without clothing is an echo of a charge which had some local currency and which was taken up by the Tennessee State Health Department. There was certainly no general condition corresponding with this charge, and we believe it was entirely unjustified. The company's representatives suggested at once to the authorities who were considering this matter that any number or all of the recently interred bodies be exhumed, and offered to stand the entire expense of this work and of providing proper reburials if in any single instance this accusation was found justified; but the authorities, after investigation, thought it not worth while to act upon this proposal.

As is usual in connection with calamities of this sort, some of the worst as well as the best in human nature was apparent. In two cases, one involving a male nurse and the other an office worker, employees were caught attempting to pilfer the personal effects of influenza patients who had died. Both men were immediately discharged.

Although not entirely explicit on this point, Mr. Storck's report seems to indicate the view on his part that the expenditures made for the measures described above and charged into costs at Old Hickory were an unwarranted used of Government funds. We believe not. The case was comparable to one of shipwreck, and the simple things done for the unfortunate victims of this plague were in response to basic claims of humanity which we believe transcend the technical considerations with which Mr. Storck concerned himself. No greater degree of liberality was indulged in under du Pont management at Old Hickory than in the company's own plants, which were under its exclusive ownership as well as operation. Moreover, every expenditure made was either authorized on the spot at the time, or thereafter approved, by the duly accredited representatives of the Government. Finally, Army officers who, with the aid of operatives from the Department of Justice, investigated this whole matter actively at Old Hickory in 1919, professed themselves fully satisfied.

In general, taking all of Mr. Storck's charges under this head comprehensively in review, it may be said that the stories he relates are a manifest repetition of the sensational gossip which became current in certain quarters around Nashville, and which was probably traceable in large measure to the disgruntlement of certain former employees who had been discharged for cause.

MASON & HANGER CO. SUBCONTRACTORS

The subject of the employment of the Mason & Hanger Company is broadly covered in exhibit no. 1173 under the subhead "Mason & Hanger Company." It may be pointed out here, however, that when the War Department finally decided to have one of its powder plants built by the du Pont Company, speed was of the essence of the undertaking. Powder plants must be in locations somewhat remote; and one of the first things necessary was to build some eight miles of railroad connecting the plant site with established transportation lines in order to bring in the necessary construction materials. For this job, the schedule worked out by the du Pont engineers allowed only thirty days; and to save time, it was found desirable to employ at once an established firm of railroad contractors who would be already provided with the necessary steam shovels and other heavy equipment regularly used for railroad construction.

For this purpose, the Mason & Hanger Company, a well-established, highly regarded firm of contractors, located in the adjacent State of Kentucky, were at once selected and engaged. It developed that the firm had also been doing some cantonment work; and its already organized construction crews in that field were thrown into the job of building the necessary plant village, under the engineering supervision of the du Pont organization. The construction of certain general facilities, and especially the heavy work of cutting down hills and grading for plant units, for which the Mason & Hanger Company were already equipped and organized, was entrusted to them, while the du Pont engineering and construction forces proper concentrated their direct efforts upon the building of the huge plant, or aggregation of plants, itself.

The performance of the Mason & Hanger Company in the physical execution of the work entrusted to them, and their willing spirit of fair dealing in the business relationship involved, were found to be fully in accord with the excellent reputation they had been known to enjoy. Their compensation (somewhat reduced by concessions they freely made upon questionable points) was on the basis of cost plus 5%; and since the work they did amounted to about one-fourth of the total construction cost of Old Hickory, it may be said that the du Pont company's fee of one dollar for building that plant covered the direct execution of three-fourths of the actual work of construction plus the general supervision of, and responsibility for, the remaining fourth.

Mr. Storck charges an overpayment in fees to the amount of some $826,000. That amount, we assume, he arrived at by the simple expedient of applying against the contract rate of 5% for overhead and profit which was paid to Mason & Hanger Company upon approximately $21,500,000 worth of construction work an obscure War Department regulation limiting the fee which could be paid to a subcontractor to $250,000.

Neither the du Pont Company nor its officers had any knowledge of this regulation, and never knew of it until after the work was completed, when this technical question was raised in 1920 in one of the numerous audits following the armistice. The contract between the Government and the du Pont Engineering Company for the construction and operation of Old Hickory made no mention, and gave no intimation, of any such regulation, but expressly authorized the Company to sublet any part of the necessary construction; and the contract with the Mason & Hanger Company, before being entered into, had been submitted to and approved by, the Government's own " Special Director ", representing the Secretary of War. Moreover, there were numerous subsequent approvals by duly authorized Government representatives of the payments made by the du Pont Engineering Company in settlement of this previously approved 5% fee to Mason & Hanger Company.

When this question came at last to be settled, the whole matter was referred finally to the Attorney General, who, after active and no doubt thorough consideration, officially decided that the limitation in question had no proper application to the Mason & Hanger contract and that the entire amount of the 5% fee which had been paid by the du Pont Engineering Company was fully warranted under its contract with the Government, and settlement was made accordingly.

UNRELATED ITEMS LISTED UNDER HEAD OF MASON & HANGER CO.

Under the same heading, but evidently with no actual relation whatever to the Mason & Hanger Company, Mr. Storck lists six other items, aggregating approximately 681,000, which he says (correcting obvious errors of typing) " cannot in any sense of the word be allowed ", and three more items, amounting to just over $708,000, of which he thinks that " a portion may be accepted by a claim board acting for the Secretary of War." The entire nine items, with such comment as appears necessary, are, in order, as follows:

1. " Inapplicable administrative expenses (E. I. du Pont de Nemours & Co.), $171,872.26."

We have been unable to determine with certainty just what was in Mr. Storck's mind at this point. Although the figures do not agree, it appears most likely that he refers to the expenses of managerial and supervisory employees of E. I. du Pont de Nemours & Company, incurred while engaged on necessary work which was done in various departments of the parent company as part of the undertaking to construct and operate the Old Hickory plant, and therefore charged to the Government.

The du Pont Engineering Company was of course not a fully self-contained and independent unit. On the contrary, in accord not only with the full knowledge but also with the active desires of the Government, the entire resources of the parent company were held fully at its disposal; and wherever a particular undertaking or activity could be carried out more advantageously at Wilmington or by some branch of the Wilmington organization, that course was followed. A careful account was kept of the time expended by du Pont Company employees on each of the several du Pont Engineering Company projects; and charges were made accordingly, on a project basis.

In addition to the " direct " elements of the cost of this work, such as the salaries of the engineers, draftsmen, purchasing agents, traffic men, and so on, immediately engaged in it, there was, of course, a corresponding apportionment of the supervisory costs of the several Wilmington departments involved. This " indirect " expense was arrived at in each department by the usual method of simply prorating the total of such indirect costs for each month over the direct costs of all the projects handled, in proportion to volume. The total indirect, or administrative, expense of E. I. du Pont de Nemours

& Company thus charged against the Old Hickory construction and operation projects was as follows:

	Salary and traveling expense	All other indirect	Total indirect expense
Construction:			
Engineering Dept	$54, 692. 45	$63, 904. 98	$118, 597. 43
Purchasing Dept		8, 522. 23	8, 522. 23
Traffic Dept	14, 960. 45	3, 736. 95	18, 697. 40
Operating:			
Smokeless Powder Operating Dept	83, 776. 45	6, 665. 15	90, 441. 60
Purchasing Dept		1, 725. 28	1, 725. 28
Traffic Dept	3, 045. 90	757. 50	3, 803. 40
	156, 475. 25	85, 312. 09	241, 787. 34

In the final settlement, the above first-column total of $156,475.25 for salaries and traveling expense was approved and paid. Exception was taken by the Government auditors on technical grounds, however, to the second-column total of $85,312.09 for all other indirect expense, in which had been included an entirely similar apportionment of the equally real costs for rent, light, fuel, office supplies, and the various other items which go to make up the necessary cost of maintaining staff organizations; and in the interest of securing a final settlement, this exception was accepted by the company.

2. "Shop orders (contractors' allowed credit), $88,376.71."

The plant equipment and machinery used in the modern manufacture of smokeless powder is largely of special character, and to a considerable extent of du Pont design. Under the conditions prevailing when the company undertook to build the Old Hickory plant for the Government, it appeared unsafe to risk the delays that might be involved in placing orders for the necessary special equipment with commercial machine shops. By agreement between the company and the Government, it was therefore at once decided that the du Pont Company would itself build this equipment; and suitable additional machine-shop facilities at Wilmington were bought for this purpose, brought under the management of the company's engineering department, and at once converted to the production, at high speed, of the necessary special equipment for the Old Hickory plant.

The manufacture of this machinery was, of course, not in any ordinary sense a part of the undertaking to build the Old Hickory plant, which the company had agreed to do without profit. If the quite proper alternative had been adopted of contracting with commercial manufacturers for the production of this machinery, they would naturally have earned profits; and in undertaking this separate though related venture at the cost of a substantial investment and a considerable risk, it was the company's feeling that it should be similarly compensated. This view was shared by the Government's representatives; and on the same date with the signing of the final Old Hickory contract, a separate agreement was executed with the Government under which the du Pont Company was authorized to build this machinery for Old Hickory in its own shops for cost plus 10%.

Subsequently, however, the du Pont Company voluntarily waived its right to this 10% compensation, and settled with the du Pont Engineering Company on the basis of actual costs, including amortization of the special facilities which had been provided for producing this equipment. The total amount of the agreed compensation thus waived by the company was approximately $734,000, while the amount of amortization included in the charges was about $475,000, making the saving which resulted to the Government from this voluntary concession approximately $259,000.

3. "Railroad charges (N. C. & St. L. Ry.), $110,000.00."

4. "Audit of subcontracts (N. C. & St. L. Ry. and T. C. R. R.), $131,447.14."

5. "Duplicate payments made to N. C. & St. L. Ry. on subcontracts, $112,081.92."

After persistent study, we are unable to determine just what Mr. Storck is driving at in his enumeration of these three items.

Prior to the du Pont Company's taking hold for the Government at Old Hickory, a contract had been made by the Government with the N. C. & St. L. Railway to build the necessary spur line from its tracks to the plant site, on the basis of cost plus 10%. When the du Pont Company became responsible for the Old Hickory undertaking, serious concern was felt by it as to the promptness with which the railroad might be able to complete this vital preliminary work; and the company arranged, with the Government's approval, to have this job taken over by the Mason & Hanger Company, who, as explained above, were well organized and successful railroad contractors with ample equipment, and whom it induced to build this spur line on a cost plus 5% basis, thus saving 5% to the Government. Of course, this rearrangement involved paying the N. C. & St. L. Railway for the work already done by them.

Mr. Storck's figures, however, do not appear to tie in with those involved in these arrangements, nor with any particular amounts which became important in the long course of investigations and discussions leading up to the final settlement; and we are at a loss to make any comment on his figures without the opportunity of finding out definitely what he had in mind. Perhaps it is a sufficient answer here to say that no such items were disallowed in the final settlement, which presumably embodied all the Government's important findings after years of study by the War Department and the Department of Justice of all the wide range of questions which had been raised and accusations which had been made against the company, including those in the Storck memorandum. It would appear most likely that these three items represent simply another of the numerous mare's nests of which the fabric of that remarkable document is largely constructed.

6. "Pay-roll overpayments, $61,591.94."

Here again, we have been unable to determine just what Mr. Storck had in mind. No such item or amount figures in the disallowances which were included in the final settlement, nor, so far as we can now discover, in the attendant discussions. The final settlement did include disallowances of what the Government construed as slight excesses in the payment by the du Pont Engineering Company of termination allowances to salaried employees, and of return traveling expenses allowed to both pay roll and salaried employees, but the total of these items was only a small fraction of the amount referred to here by Mr. Storck. There were, so far as we can now discover, or so far as the final settlement indicates, no pay-roll overpayments of any consequence; and approximately $150,000 in unclaimed wages was turned over to the Government at the time of the final settlement on October 31, 1925.

7. "Meritorious bonus, $151,355.00."

It has been for many years a regular principle of operation of the du Pont Company to pay special awards, or bonuses, for outstandingly meritorious and productive service. Such bonuses, although contingent as to occurrence and amount, are not gratuities, but part of the employee's compensation, and are so recognized by the Government in its collection of income taxes. In the practice of the du Pont Company, these bonus awards are of relatively moderate individual amounts and of relatively wide-spread occurrence among men who successfully carry out important responsibilities. The conditional right of outstandingly capable employees to receive such awards is well established by long usage in the company, and is therefore one of the regular incentives for ambitious men to enter and remain in its employment and give their best efforts in support of its undertakings. This principle of seeking to relate the ultimate reward to the actual results and value of the service rendered is believed to be in accord with the fundamentals of human nature, and therefore sound and "good business", and its successful application is among the factors to which such success as the company has been able to achieve is accredited.

In undertaking for the Government the enormous task of building and operating the Old Hickory powder plant, it was thought highly important to have the advantage of this principle; the more so because the men upon whose individual performance in the direction and control of this work success must depend, were for the most part accustomed to this principle of du Pont Company operation, and because the circumstances of the undertaking made it important to overlook no opportunity for calling forth the last unit of "drive" and resourcefulness in completing every successive step of the task at the earliest possible moment.

In the discussions which attended formulation of the contract, this view was shared by the representatives of the Government; and in the contract itself, provision was expressly made for paying extra compensation in order to expedite the work of construction, subject to the approval of the contracting officer, and for charging such payments into the cost of construction. Since the plant was to be built for actual cost plus one dollar, the propriety and necessity of this last provision, in relation to the cost of *construction*, will be apparent. In *operating* the plant, on the other hand, the contract provided compensation for the du Pont Engineering Company, and all bonus awards were made and paid by the company itself, without any suggestion of passing the cost of the operating bonuses along to the Government.

In accord with the relevant provision of the contract, the express approval of the Government's contracting officer was secured for the awards proposed before any award was made. Subsequently, when this element of construction cost came to be questioned in the course of the long and active review which preceded the final settlement of October 31, 1925, the principle was reaffirmed and the charge for bonus awards was finally approved as a proper expenditure to be reimbursed by the Government.

The total amount of all bonuses awarded and charged to the Government for outstanding work in the construction of the Old Hickory plant was $151,355. The total cost of construction on which these awards were based (including the approximately $21,00,000 of work done by the Mason & Hanger Company under du Pont Engineering supervision) was approximately $84,000,000. The results speak for themselves. We believe there can be no question, not only that this expenditure was entirely regular and proper and in accord with the contract between the du Pont Engineering Company and the Government, but also that it was a sound and productive expenditure, which more than justified itself in the results obtained.

In this connection, reference is also made to the statements below under the headig " The Investigation ", item no. 6, " Bonus Awards."

8. " Extra compensation, wages, and salaries paid after discontinuing services (no services rendered), $286,319.47."

It has for many years been the practice of the du Pont Company to pay to salaried employees whose service is discontinued through no fault of their own, one month's salary, in lieu of notice. This practice was carried out at Old Hickory, just as it was at the company's own plants.

It was the manifest intent of the Government in connection with the Old Hickory undertaking, confirmed in numerous express authorizations, that the du Pont Company's successful labor policies and established practices in its relations with its employees should be followed. Moreover, the Old Hickory contract provided that in the event of cancelation by the Government, " the United States will hold the contractor harmless from all loss resulting from such cancelation, exclusive of any projts." On these grounds, it was believed, and this belief was fully concurred in by the authorized representatives of the Government, that the discontinuance allowance of one month's salary was a necessary cost to be paid by the du Pont Engineering Company and a proper charge to be reimbursed by the Government. When the expenditures came later to be challenged by the Government's auditors, this view was ratified both by the War Department and by the Department of Justice; and in the final settlement of October 31, 1925, the du Pont Engineering Company was reimbursed accordingly.

We have been unable exactly to check Mr. Storck's figure of $286,319.47. The total amount of these discontinuance payments finally reimbursed by the Government was $263,334.52. In the final settlement further amounts which had been paid on this account, in accord with the parent company's practice of somewhat increasing the allowance in case of employees of long service, were disallowed; but the total amount of such disallowances was less than $2,000.

9. " Transportation and moving of household goods after discharge of employees, $270,355.77."

Reference has already been made to the Government's firm policy, following the armistice, of a gradual and orderly demobilization of the forces which had been engaged in war plants on Government work. With a new and unsettled community such as had been called into being at Old Hickory by the gathering together from all directions of a highly diversified force of some 50,000 workers, the importance of such orderly dispersal will be apparent.

In these circumstances, in order to avert hardship and insure prompt and orderly demobilization, and in common fairness to the workers whose employment had been suddenly terminated, the necessity was apparent to the Du Pont Engineering Company, and promptly assented to by the Government's representatives, of providing for the discharged employees' return transportation to their homes, or to points not more distant at which there might be better opportunities for new employment. Again, in recruiting the large number of salaried workers necessary for the supervisory, technical, and clerical organizations at Old Hickory, it had been found necessary in many cases, on account of the comparative remoteness of the location and the uncertainty of continuance of employment, to assure the men engaged that return transportation would be provided in the event the employment should come to an end within six months or a year; and such assurance had been quite generally given. This benefit of return transportation was therefore made general in its application. The very small proportion of moving expense on household goods included in this account applied to certain cases where, in order to secure the services of specially qualified and desirable employees, it had been necessary to include that item as part of the compensation agreed upon in the contract of employment.

Here again, as in case of the preceding item, the propriety of this element of expense was assented to at the time by the Government's representatives, ratified in the subsequent investigations by the War Department and the Department of Justice, and finally confirmed in the settlement contract of October 31, 1925.

On this account a total of slightly under $265,000 was expended by the Du Pont Engineering Company, and reimbursed to it by the Government. In addition, there were expenditures of approximately $3,000 by the company which were disallowed by the Government's auditors and excluded in the final settlement, representing a total of small excesses incurred in sending workers to points of prospective reemployment, over the amounts strictly allowable under the above rule of paying for transportation only to a point not more distance than that from which the worker had been originally employed. When one stops to imagine the circumstances attending the hurried purchasing of railroad tickets for many thousands of suddenly released workers from all parts of the country, the inevitability of slight discrepancies of this sort will be apparent.

The above two figures of $265,000 and $3,000 approximately balance Mr. Storck's figure of, roundly, $270,000.

STATEMENT

The accusations made under this head are very broad, and there is little specific to reply to. It can only be said that the sweeping charges of irregularities, which Mr. Storck estimated would amount to "something over $3,000,000", are without any adequate justification, and that the general groundlessness of these charges was fully demonstrated in the investigation of them by the Department of Justice, as well as by the War Department. The suspension of the long series of 305 vouchers referred to was of course simply a normal procedure to hold up final settlement pending the results of the re-audit. The statement quoted from Major Guise under date of November 30, 1920, that even the original advance of $18,750,000 for construction had been suspended might even seem at first glance to indicate a question as to whether any plant ever had been built at Old Hickory at all! It is quite evident that Mr. Storck was anxious to have a comprehensive investigation.

Perhaps the best answer that can be made to these broad charges is to summarize briefly the essentials of the final settlement by which the Old Hickory contract was closed out on October 31, 1925. The amount of investigation and critical study devoted by the Government to the Du Pont Engineering Company's expenditures at Old Hickory over the seven years between the activities for which they were incurred and the date of final settlement was indicated in the oral testimony given before the present Committee; and the accounting methods involved are sufficiently described in its Exhibit No. 1199. In the final settlement, against total net costs of approximately $108,000,000 for the construction and operation of the Old Hickory plant, the total amount of the finally disallowed items was somewhat over $169,000, or less than one-seventh of 1% of the total expenditures. Of that total of disallowances, something less than one-fifth was in the sort of corrections naturally to be expected in an undertaking of such size and complexity, while at least four-fifths was in exclusions made upon highly technical grounds, of which we did not and do not admit the propriety, but which were accepted by us in the interest of a final settlement after long years of continued suspense and harassment.

Of this $169,000 total, roughly half was in the $85,000 of Wilmington office expense described above in connection with Mr. Storck's first "Unrelated item" under the head of "Mason & Hanger Company." The biggest remaining item, amounting to nearly $56,000, resulted from insistence by the Government auditors on a strictly literal interpretation of a possibly ambiguous expression in the contract. It will be recalled that under the contract of March 23, 1918, the Du Pont Engineering Company's compensation for producing powder at Old Hickory was to be a flat rate of 3½ cents a pound plus one-half of any saving under a base price of 44½ cents, at certain specified levels of delivered cost for the basic raw materials. In the wording of the contract, these basic raw material cost figures were defined as representing the prices "f. o. b. Nashville, Tennessee." Delivery at the city of Nashville was, of course, never contemplated; the thing always intended was delivery at the point of consumption, which was the plant; and in drafting the contract in advance of the existence of any plant, the word "Nashville" had quite naturally been used in a broad sense to represent the point of delivery of the materials that would be necessary. When deliveries came to be taken, the plant freight yards, although in common contemplation a part of the industrial area of Nashville, were given a different name; and for the transportation of its materials from Nashville to the plant, extra freight charges were assessed by the Government in the operation of its railroads, which, under the narrow interpretation insisted upon by its auditors in applying the terms of the contract to the 35,000,000 pounds of powder made at Old Hickory, brought about this difference of nearly $56,000. The remaining items of disallowance in the final settlement are all of only minor importance.

CAMBRIA STEEL CO.

In connection with some $15,000 of billings from this firm, Mr. Storck discovers two payments for supposed individual shipments made only seven days apart in the same car, and correctly concludes that this could not have happened. From this he deduces "some evidence of criminal and civil liability", and concludes that "if an investigation of a thorough nature were made millions of dollars might be recovered for the Government."

The explanation here is simply that through some error a duplicate of the original invoice for a carload of steel rails (shipped in car B. & O. 150134) was vouchered and paid by the du Pont Engineering Company and charged to the Government after the original invoice had already been paid and charged. Some weeks thereafter, this error was discovered; a credit memorandum was promptly issued to the Government; and in due course a check was received from the Cambria Steel Company, refunding the duplicate payment of $3,399. All these events, including complete correction of the error as well as its occurrence, had taken place in close succession some four and a half years before the date of Mr. Storck's report. Thus, like his various other accusations, this one proves not only barren of any real evil, but not even attended with any such appearance of evil as would have survived any but the most superficial investigation.

NASHVILLE, WILMINGTON, PHILADELPHIA

Insofar as Mr. Storck's statements under these three heads might be construed as involving any reflection upon the du Pont Company, they have already been answered above, under the heading "Paragraphs 1 to 3—Criticism of Storage of Records." With respect to the records at Wilmington, the facts were in accord with Mr. Storck's supposition; and the documents were made fully available to, and were extensively reviewed by the Government's investigators.

THE INVESTIGATION

In large part, the matter under this head consists simply of Mr. Storck's suggestions for the very extensive reinvestigation which he was endeavoring to bring about. To the general implications of irregularities here included, what we have said above under the head of "Statement" will be found applicable. The specific matters in this section of the memorandum which appear to justify further comment or reference are as follows:

1. Purchases from du Pont subsidiaries.—This subject is comprehensively dealt with in exhibit no. 1173.

2. Freight payments.—See above, under the title "Overcharges in Freight."

3. Bank deposits.—The working funds held to the credit of the Government in connection with the work at Old Hickory were kept distributed among a number of banks, in accord with the usual practice of the du Pont Company. These depositories were mainly the large banks of New York City, although for obvious reasons accounts were also carried in substantial amounts in two banks at Nashville and to some extent in one bank at Wilmington. Full advantage was taken of the opportunity to earn interest on the funds in bank; and all the interest earned, amounting to a total of more than $400,000, was credited or paid over to the Government.

4. Cash discounts.—It was the regular and uniform practice of the du Pont Engineering Company to take advantage of all cash discounts, in accord with the long-established practice of the parent company; and the Government received full credit for the amounts thus saved. The statements made in this connection above, and in exhibit no. 1199, and elsewhere in the committee's record, are believed to preclude the necessity of any more detailed statement here.

5. Shortage and damage claims.—Mr. Storck's charge that "no attention was paid to claims for shortages" in or damage to the materials received at Old Hickory, is entirely without any adequate justification. In general, the statements made in this regard at various points above, and in exhibit no. 1199, are believed to be sufficient. The only qualification which it occurs to us to add is that the du Pont Company's experience in the course of the war, both at its own plants and at Old Hickory, showed that in case of very minor reported shortages the costs of collection would exceed the amounts recovered, and practical working rules were therefore adopted from time to time under which opportunities for filing claims below certain minimum economic limits were rejected.

6. Bonus awards.—This subject, we believe, has been sufficiently explained above, under the head of "Unrelated Items Listed under * * * Mason & Hanger Company", item 7, "Meritorious bonus * * *." Mr. Storck's assertion here that "with reference to bonuses one voucher alone amounted to $250,000", is manifestly inconsistent with his item of "Meritorious bonus" in the tabulation in the middle of his report at which point he correctly gives the figure of $151,355 as representing the total of all bonus awards made in connection with the construction of the Old Hickory plant. His present figure of $250,000 is entirely out of line not only with any individual bonus award but with the total of all such awards which were charged to the Government. The maximum award made to any individual for outstanding performance in the work of construction at Old Hickory was $15,000; and the total bonus cost of $151,355 for Old Hickory construction was made up of awards to about 130 individuals. Bonuses earned in connection with the operation of the Old Hickory plant, as stated above, were paid by the company and did not figure in its accounting with the Government; so that the above total of $151,355 represents the entire amount of Old Hickory bonus awards with which the Government was concerned.

7. Prior and subsequent du Pont service of Old Hickory employees.—Mr. Storck appears to find something sinister in the fact "that in many instances it was found that employees at the (Old Hickory) powder plant were subsequently employed by the du Ponts and that a number of those employed at the plant were previously in the employ of the du Ponts." Certainly nothing could have been more natural and proper than that the du Pont Engineering Company's organization should have been built up largely of men who had already proved their worth in the service of the du Pont Company and who had the unparalleled experience which that service afforded in the construction of powder plants and the production of powder. That, in fact, was of the very essence of the arrangement with the Government. On the other hand, when the Old Hickory organization came to be demobilized, it was equally natural and proper that every effort should be made to find suitable employment in the peace-time activities of the du Pont Company for men who had done successful work at Old Hickory and whose services were no longer required by the Government. Mr. Storck's remark which we have quoted above is clearly significant as an indication of the spirit of his investigation rather than as an evidence of anything improper in the conduct of the Old Hickory undertaking.

8. Charge of "Unloading."—This subject, we believe, has been sufficiently considered above under the head of "Some General Explanation."

9. Operating costs charged to construction.—Mr. Storck states "that a number of items properly chargeable to operation were incorrectly charged to construction." This is true, so far as we know and believe, with respect to only items of expense, each of which was applicable in part to construction and in part to operation, and of which the original apportionment by the company's accountants, though entirely innocent of any such purpose as Mr. Storck ascribes to it, was incorrect.

These two items were the cost of operating "labor trains" necessary for transporting to and from the plant large numbers of workers who could not at the time be sheltered in the plant village, and the expense of the "powder plant railway" which was built and used for transporting materials and workers within the plant area. Both these services were, of course, utilized in furtherance of both the construction and the operation work at Old Hickory. At the outset, when construction was the only activity, the necessary charges were applied against construction. Later, when the work of production was begun and rapidly expanded, these charges in part were allocated to that activity; but the proration failed to be consistently and correctly carried out in all months, making a later corrective adjustment necessary. This irregularity was discovered and pointed out by the Government's auditors, and the proper correction was made in accord with their findings and included in the final settlement. No other items of operating costs erroneously charged to construction were included in that settlement, or in dispute at that time.

From the above explanations, it will be apparent that Mr. Storck's accusations, when the facts are sifted out, are quite generally groundless and in large part ridiculous. Mr. Storck himself gave warning of the superficial character of his work by describing it as "*a preliminary investigation.*" The facts to refute his suspicions were largely available in the files of the Department of Justice, from which this document was taken, and fully determinable upon inquiry.

In reviewing the stenographic transcript of the December hearings we have been unable to find any express assent to our request that this answer be also published as a part of the record. We are very sure, however, that it was the intent of the committee at that time that our request should be granted. And even if that request was not made, the unfairness that would result from reviving and publishing these old charges without our ever having had the opportunity to reply to them, or without coupling the reply with the charges, is so manifest that we are sure your committee must be as unwilling as we are to have that injustice imposed upon us.

There is one practical point, however, which causes us some concern, especially in view of the time which has unavoidably necessary for preparing this communication and the progress already made in the printing of your record. The mere inclusion of the present statement in the voluminous record of the committee without some plain and conspicuous reference or references to it in connection with exhibit no. 1190 would, of course, be almost useless. We, therefore, respectfully request that this statement be coupled up with Mr. Storck's report in the committee's record as finally printed, in some way that will insure its not being overlooked by anyone considering the Storck report.

E. I. du Pont de Nemours & Co.,
By W. S. Gregg.

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